

2015

*CITY OF RICHMOND, CALIFORNIA*  
**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**



FOR THE YEAR ENDED JUNE 30, 2015

City of Richmond  
California

# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2015

Prepared by the Finance Department

Belinda Warner  
Finance Director/Treasurer

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**CITY OF RICHMOND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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## FINANCE DEPARTMENT

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450 CIVIC CENTER PLAZA  
RICHMOND, CA 94804  
(510) 620-6740

December 30, 2015

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, 2015, 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).

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 aspects.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, 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 unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2015. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

Accounting standards require 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 the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **The Reporting Entity and Its Services**

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

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the City. Each blended component unit has a June 30 year-end. The City's sole discretely presented component unit is RHA Properties and also has a June 30 year-end. 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 Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Surplus Property Authority and the Hilltop Redemption, Castro Street, Hilltop A-D, Seaport District 816, Point Richmond Parking, Hilltop E, San Pablo 854, Harbor Navigation, Country Club Vista, Cutting/Canal and Atlas Interchange Special Assessment Districts. The City also has one inactive component unit, Richmond Parking Authority.

## Profile of the Government

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

Richmond's population is 106,388. 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 six members elected at-large to alternating 4-year terms. The Mayor is elected at large and is a seventh member of the City Council. The City of Richmond is a Council-Manager form of government. The City Manager, appointed by the Mayor and Council, has administrative authority to manage administrative and fiscal operations of the City. In addition to the City Manager, the City Attorney, City Clerk and Investigative Appeals Officer are appointed by the Mayor and Council.

The mission of the City of Richmond is:

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

## **Factors Affecting Financial Condition**

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

### **Local economy**

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, high-tech, bio-tech and medical technologies, retail centers and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western Contra Costa County. The Richmond economy is experiencing growth in light industrial and high technology companies, as well as retail. At the same time, the Port of Richmond has found success in the importation of automobiles.

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

- The University of California's plans to create a "global campus" at the Richmond Field Station site;
- The ongoing development and leasing of light industrial/business park property at Hilltop and along the I-580 freeway on Richmond's South Shoreline evidence that an active market for this kind of space exists in the Richmond area;
- Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
- Relatively lower land costs than most of the Bay Area;
- Richmond's central location in western Contra Costa County; within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to and from the State's capitol, Sacramento;
- Proximity to the University of California, Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads, Santa Fe western terminal and the Port of Richmond and the Richmond Transit Village featuring an inter-modal station providing easy access to Bay Area Rapid Transit (BART, Amtrak and buses) and a ferry service is scheduled to begin in 2018; and
- Availability of relatively affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Small business firms, with 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 a façade improvement program.

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

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

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

### **Significant Events and Accomplishments**

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2015 include the following:

#### **Finance**

- Voters passed a Measure U one-half cent sales tax that will maintain and enhance essential city services, such as public safety, public health and wellness programs, city youth programs and street paving. The sales tax took effect April 1, 2015.

### **Public Works**

- City of Richmond and Pogo Park Cited for ‘Outstanding Model of Community-Based Planning’. The manager of the Office of Grants and Local Services for the Parks Department, cited the renovation of Richmond’s Elm Playlot and the planning of the new Unity Park on the Richmond Greenway as among “the most innovative best practices by local agencies and nonprofit organizations.”

### **Office of Neighborhood Safety (ONS)**

- The ONS and its Peacemaker Fellowship was profiled by London Published British National Newspaper “The Independent” for its innovative approach towards reducing firearm assaults and associated injury. The efforts of the ONS continue to attract positive attention and inform the field of violence intervention and interruption through the development and implementation of promising practices.
- The ONS Street Outreach and Peacemaker Fellowship work was profiled on an episode of *This American Life* Public Radio Show. The ONS has received national and international recognition for its innovative approach towards reducing firearm assaults and associated injury in Richmond since 2008. The efforts of the ONS and its Fellows continue to attract positive attention and inform the field of violence intervention and interruption through the development and implementation of promising practices.

### **Library**

- LEAP celebrated 30 years of service on September 21, 2014.

### **Economic & Neighborhood Development**

- The Employment & Training Department’s RichmondBUILD was awarded a \$60,000 Grant from the Y.H. Soda Foundation to support essential case management and follow up services for all RichmondBUILD participants, and help to enhance the math preparation required by various crafts of the building trades. The grant is also intended to assist with developing project-specific customized training modules like solar installation, lighting retro-fit, and energy efficiency. This grant award marks the third year in a row that Y.H. Soda Foundation has provided funding and support for the RichmondBUILD program.
- The Officer Bradley A. Moody Memorial underpass project is nearly completed with a ribbon cutting ceremony held on December 17, 2015.

## **Public Safety**

- The Family Justice Center held its grand opening on June 4, 2015. The center will provide advocacy, Peer Counseling, Emotional Support, Assistance with emergency shelter, Law enforcement assistance, Safety Planning, Court accompaniment and support, Victims of Crime Compensation Program, Civil Legal assistance and Access to counseling and mental health services.
- The Richmond Police Department was honored to be asked by the White House to select one of its officers to join five other police officers from around the nation to meet with President Obama in the Oval Office. The President wanted to discuss best practices for engaging police departments with their communities, and Richmond was identified as a city where the relationship between officers and residents is strong.

## **Strategic Support**

- Received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ending June 30, 2014.
- Received the Achievement of Excellence in Procurement (AEP) Award from the National Purchasing Institute.
- Received the Distinguished Budget Presentation Award for fiscal year 2014-15 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Excellence Award in Operating and Capital Budgets for the fiscal year ending June 30, 2015.

## **Long-Term Financial Plan**

- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- As part of its effort to address unfunded OPEB liabilities, the City Council, in December 2014, adopted a policy to place into its OPEB trust an amount equal to one-half of any one-time, non-operating revenues, and one-half of any year-end surplus in excess of the City's unfunded liability for retired employee health costs.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

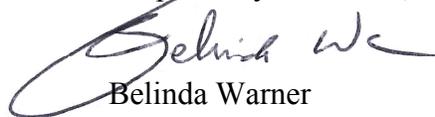
## **ACKNOWLEDGEMENTS**

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.

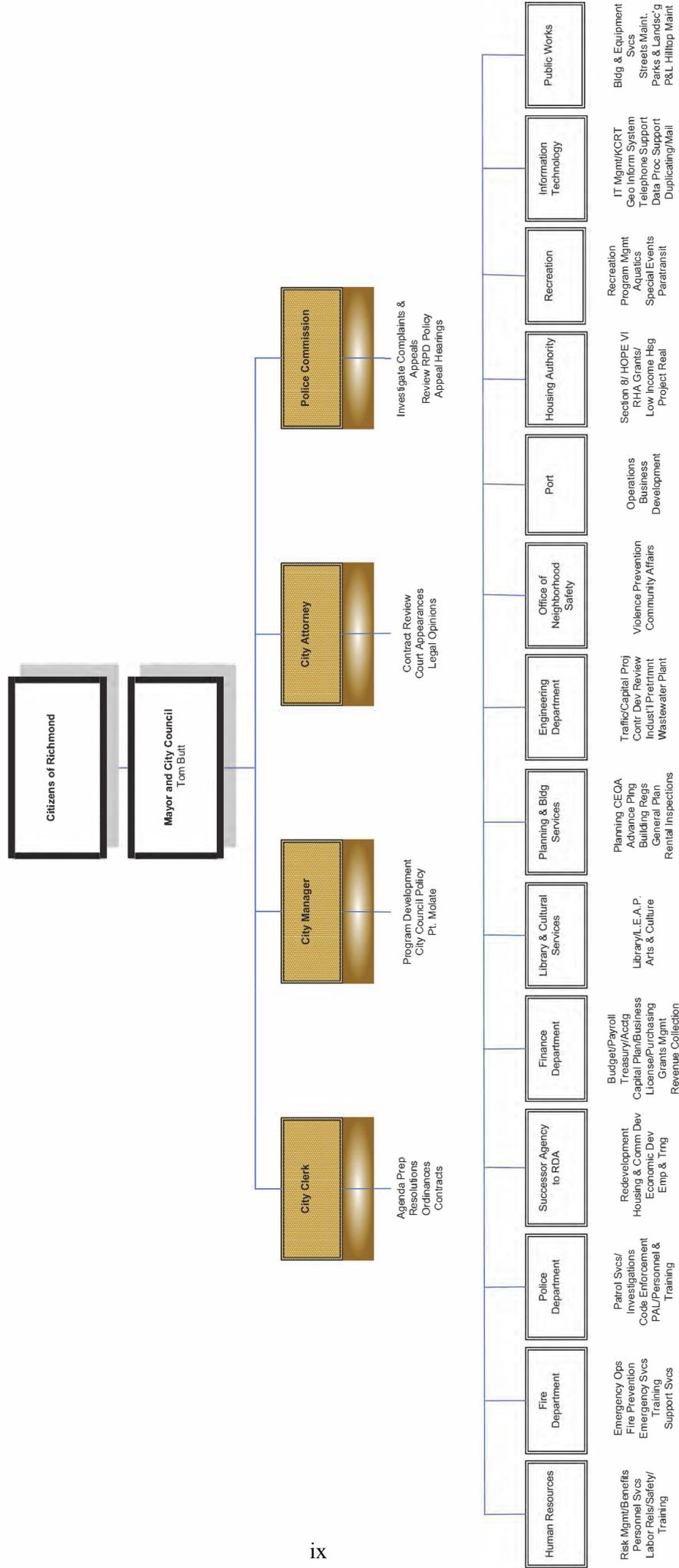
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Belinda Warner", is written over a horizontal line.

Belinda Warner  
Finance Director/Treasurer



# City of Richmond FY2015-16 & 2016-17 Organizational Chart



**CITY OFFICIALS**

**JUNE 30, 2015**

**CITY COUNCIL**

Mayor ..... Tom Butt  
Vice Mayor ..... Jael Myrick  
Councilmember ..... Gayle McLaughlin  
Councilmember ..... Nathaniel Bates  
Councilmember ..... Jovanka Beckles  
Councilmember ..... Vinay Pimple  
Councilmember ..... Eduardo Martinez

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager ..... Bill Lindsay  
Capital Improvement Director ..... Chad Smalley  
City Attorney ..... Bruce Goodmiller  
City Clerk ..... Pamela Christian  
Community Services Director ..... Devone Boggan  
Employment & Training Director ..... Sal Vaca  
Finance Director/Treasurer ..... Belinda Warner  
Fire Chief ..... Adrian Sheppard  
Housing Director ..... James Goins  
Human Resources Director ..... Lisa Stephenson  
Information Technology Director ..... Sue Hartman  
Library and Cultural Services Director ..... Katy Curl  
Planning Director ..... Richard Mitchell  
Police Chief ..... Christopher Magnus  
Port Director ..... Jim Matzorkis  
Public Housing Director ..... Tim Jones  
Public Works Director ..... Yader Bermudez  
Utilities Director ..... Chad Davison



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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**City of Richmond  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of RHA Properties, which represents 0.38%, 0.00% and 0.00% of the assets, net position and revenues, respectively, of the primary government. We did not audit the component unit financial statements of the Richmond Housing Authority (Authority), which is both a major fund and 20.25%, 59.02% and 43.61% of the assets, net position and revenues, respectively, of the business-type activities. These component unit financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of these other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Emphasis of Matters*

### *General Fund Cash and Fund Balance and Other Fund Cash Balances*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, as of June 30, 2015, the General Fund's unrestricted cash balance represented less than twenty days of General Fund expenditures, unassigned fund balance represents available fund balance and equates to approximately twenty-seven days of General Fund expenditures, and revenues in fiscal year 2015 exceeded expenditures by \$1.1 million. In addition, the Richmond Housing Authority Enterprise Fund, Port of Richmond Enterprise Fund, other Non-Major Enterprise Funds and Non-Major Governmental Funds had borrowed \$37.1 million from the General Fund and other funds. As a result of the interfund borrowing, City-wide, the City has a total of only \$49.4 million of unrestricted cash as of June 30, 2015, a decline of 35% over the last five fiscal years. Although the trends were an improvement over the prior fiscal year, the City continues to issue Tax Revenue Anticipation Notes to supplement cash temporarily during the fiscal year. In fiscal year 2014-2015, the City entered into a swaption agreement to receive loan proceeds to provide funding for two years of debt service on the 2009 Civic Center Lease Revenue Bonds. If deficit spending continues, it reduces the likelihood that the City will be able to continue as a going concern.

The emphasis of this matter does not constitute a modification to our opinions.

### *Implementation of New Governmental Accounting Standards Board Pronouncements and Other Restatements*

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position, as discussed in Notes 10F, 11 and 12 to the financial statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

The City also restated certain receivables and unavailable revenues in Governmental Funds as discussed in Note 10F.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
December 30, 2015

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2015**

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, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 27.

### **FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$141.3 million (net position). Of this amount, \$64 million is restricted for specific purposes (restricted net position), \$293.1 million is the net investment in capital assets and \$498.4 million represents a deficit in unrestricted net position.
- During fiscal year 2014-15, the City implemented GASB Statements No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City's considerable pension obligations and their funding progress. Governmental Activities net position was restated by \$321.6 million and Business-Type Activities net position was restated by \$13 million changing the City's total net position at July 1, 2014 from \$209.7 million to a deficit \$124.9 million and unrestricted net position from a deficit \$152.1 million to a deficit \$489.7 million. The majority of the restatement is due to a \$337.4 million reduction to beginning net position to record the City's new net pension liability and related deferred outflows of resources for pension contributions made during the prior year in accordance with the new pension accounting standards. Additionally, governmental activities net position was increased by a net \$2.8 million due to adjustments made to various receivable balances. These restatements are fully discussed in Note 10F.
- After restatement, the City's total net position decreased by \$16.4 million to a deficit \$141.3 million during the fiscal year. This decrease is primarily attributed to a \$15.8 million decrease in net position for governmental activities, a \$4.9 million improvement from prior year. Expenses declined \$11.8 million from prior year primarily in the City's General Government and Public Works expenses. Revenues also declined by a net \$6.9 million due to reductions in capital and operating grants that were offset by increases in general tax revenues. Unrestricted deficit net position for governmental and business-type activities decreased by \$11.7 million to a deficit \$498.4 million. Restricted net position for governmental and business-type activities increased by a net \$3.7 million to \$64 million.
- The new Net Pension Liability of \$209.3 million, representing an accounting measure of the City's unfunded pension obligations, is presented as a new liability on the Statement of Net Position at June 30, 2015.

- The City reports \$39.1 million in other post-employment benefit (OPEB) obligations for this fiscal year which is an increase of \$8.2 million from the \$30.9 million liability reported in the prior year. The increase represents the current year change in net OPEB obligation and was the result of actuarially required contributions exceeding actual contributions.
- As of July 1, 2014, the City's governmental funds combined fund balances were restated \$2.3 million to \$53.8 million due to prior year adjustments to receivable balances in the Cost Recovery and Community Development and Loan Programs Funds. At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$60.4 million, an increase of \$6.5 million from prior year restated ending fund balance of \$53.8 million. The increase is primarily attributed to an \$8.5 million combined surplus in General Fund, Cost Recovery, Developer Impact Fees and the Civic Center Debt Service Fund. The ending fund balance includes \$18.7 million of nonspendable resources, \$41 million of resources restricted for a specific purpose, \$454 thousand of assigned resources and \$194 thousand of unassigned resources. This \$194 thousand surplus is a net result of a positive \$9.9 million balance in General Fund and \$9.8 million in deficits occurring in Cost Recovery and other governmental funds.

## 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. The government-wide financial statements are comprised of the *Statement of Net Position and Statement of Activities and Changes in Net Position*.

The *Statement of Net Position* presents information on all of the City's assets plus deferred outflows of resources less liabilities and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position 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 Position* presents information showing how the government's net position changed during the fiscal year. All changes in net position 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 government-wide financial statements include the activities of the City and five blended component units which consist of the Richmond Housing Authority, Richmond Joint Powers Financing Authority, Richmond Neighborhood Stabilization Corporation, Richmond Surplus Property Authority and Richmond Parking Authority. Although legally separate, the City is financially accountable for the activities of these entities which are therefore shown as blended as part of the primary government.

***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, Public Works, Community Development, Cultural and Recreational, and Housing and Redevelopment.

***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 and Cable TV.

***Discretely Presented Component Unit*** - RHA Properties is a legally separate reporting entity, but is important because the City is financially accountable for it.

The government-wide financial statements can be found on pages 27-29 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 governmental 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 19 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, Cost Recovery Special Revenue Fund, the Community Development and Loan Programs Special Revenue Fund and Environmental and Community Investment Agreement Special Revenue Fund ("ECIA") Special Revenue Fund. The basic governmental fund financial statements can be found on pages 32 through 35 of the financial report. Data from the other fifteen governmental funds are combined into a single, aggregated presentation and separately on pages 180 through 191 of the financial report.

***Proprietary Funds*** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, Port of Richmond and Municipal Sewer. Enterprise funds financial statements can be found on pages 38 through 40 of the financial report.

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

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds for the City consist of Pension Trust Funds, Pt. Molate Private-Purpose Trust Fund, Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund 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 42-43.

#### **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 45 through 160 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 budgetary comparison statements for the General Fund, the Cost Recovery Special Revenue Fund, the Community Development and Loan Programs Special Revenue Fund and ECIA Special Revenue Fund. Additionally, pension and other postemployment healthcare schedules have been provided for new transparency, valuations and disclosures to provide information about the City's pension obligations and funding progress to comply with new pension standards. Required supplementary information can be found on pages 162 through 176 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Analysis of Net Position:**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. As of July 1, 2014, the City restated governmental and business-type activities by \$321.6 million and \$13 million, respectively, thereby reducing it to a deficit \$191.5 million and positive \$66.6 million, respectively. The City's total net position restatement of \$334.6 million was the net result of \$337.4 million to record the City's net pension liability and related deferred outflows of resources for pension contributions made during the prior year in accordance with GASB Statements No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* of which, \$324.4 million and \$13 million affected governmental and business-type activities, respectively. Additionally, the City recorded a net \$2.8 million restatement to governmental activities to adjust various receivable balances as discussed in Note 10F. After restatement, the City's combined net deficit (government and business-type activities) totaled \$124.9 million. The City's net position decreased by \$16.4 million during the current fiscal year to a deficit \$141.3 million. This is a net result of governmental activities decrease of \$15.8 million and a \$702 thousand decrease in business-type activities.

The largest portion of the City's net position is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled \$293.1 million, representing an \$8.4 million decrease from the prior year. Investment in 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2015, the City's restricted net position increased \$3.7 million primarily due to reductions in governmental activities resources available to fund housing and redevelopment activities.

Unrestricted net deficits represent the net unfunded liabilities of the government. Over time, increases and decreases in this account will allow the reader to determine if the City's condition is improving or deteriorating. After the net \$334.6 million in restatements discussed above changed the City's combined (government and business-type activities) unrestricted deficit from \$152.1 million to \$486.7 million, the unrestricted deficit increased by \$11.7 million to a deficit \$498.4 million at the close of the fiscal year ending June 30, 2015. This increase is the net result of \$9.4 million and \$2.3 million increase in governmental and business-type activities, respectively.

**City of Richmond's Net Position**  
**June 30, 2015 and 2014**  
(in thousands)

|  | Governmental<br>Activities |                   | Business-type<br>Activities |                  | Totals             |                   |
|--|----------------------------|-------------------|-----------------------------|------------------|--------------------|-------------------|
|  | FY2015                     | FY2014(A)         | FY2015                      | FY2014(A)        | FY2015             | FY2014(A)         |
| <b>Assets:</b>                         |                            |                   |                             |                  |                    |                   |
| Current assets                         | \$ 128,276                 | \$ 222,767        | \$ 31,095                   | \$ 44,152        | \$ 159,371         | \$ 266,919        |
| Capital assets                         | 308,358                    | 309,977           | 189,803                     | 180,786          | 498,161            | 490,763           |
| Total assets                           | <u>436,634</u>             | <u>532,744</u>    | <u>220,898</u>              | <u>224,938</u>   | <u>657,532</u>     | <u>757,682</u>    |
| <b>Deferred Outflows of Resources:</b> |                            |                   |                             |                  |                    |                   |
| Deferred outflows related to pensions  | 17,607                     |                   | 800                         |                  | 18,407             | -                 |
| Deferred charge on refunding           |                            | -                 | 5,827                       | 6,193            | 5,827              | 6,193             |
| Total Deferred Outflows of Resources   | <u>17,607</u>              | <u>-</u>          | <u>6,627</u>                | <u>6,193</u>     | <u>24,234</u>      | <u>6,193</u>      |
| <b>Liabilities:</b>                    |                            |                   |                             |                  |                    |                   |
| Current liabilities                    | 88,538                     | 94,741            | 20,581                      | 19,340           | 109,119            | 114,081           |
| Long-term liabilities                  | 522,578                    | 307,874           | 138,092                     | 132,183          | 660,670            | 440,057           |
| Total liabilities                      | <u>611,116</u>             | <u>402,615</u>    | <u>158,673</u>              | <u>151,523</u>   | <u>769,789</u>     | <u>554,138</u>    |
| <b>Deferred Inflows of Resources:</b>  |                            |                   |                             |                  |                    |                   |
| Deferred inflows related to pensions   | 50,362                     |                   | 2,954                       |                  | 53,316             | -                 |
| Total Deferred Inflows of Resources    | <u>50,362</u>              | <u>-</u>          | <u>2,954</u>                | <u>-</u>         | <u>53,316</u>      | <u>-</u>          |
| <b>Net Position:</b>                   |                            |                   |                             |                  |                    |                   |
| Net investment in capital assets       | 218,145                    | 228,628           | 74,922                      | 72,911           | 293,067            | 301,539           |
| Restricted                             | 54,579                     | 50,462            | 9,408                       | 9,794            | 63,987             | 60,256            |
| Unrestricted                           | (479,961)                  | (148,961)         | (18,432)                    | (3,097)          | (498,393)          | (152,058)         |
| Total net position                     | <u>\$(207,237)</u>         | <u>\$ 130,129</u> | <u>\$ 65,898</u>            | <u>\$ 79,608</u> | <u>\$(141,339)</u> | <u>\$ 209,737</u> |

(A) Fiscal year 2014 balances are presented as originally reported in last year's financial statement because all information required to restate prior year amounts is not readily available.

## Analysis of Activities:

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

**City of Richmond's Changes in Net Position  
For the Years Ended June 30, 2015 and 2014  
(in thousands)**

|  | Governmental<br>Activities |                          | Business-type<br>Activities |                         | Totals                    |                          |
|--|----------------------------|--------------------------|-----------------------------|-------------------------|---------------------------|--------------------------|
|  | FY2015                     | FY2014(A)                | FY2015                      | FY2014(A)               | FY2015                    | FY2014(A)                |
| <b>Revenues:</b>   |                            |                          |                             |                         |                           |                          |
| Program revenues:  |                            |                          |                             |                         |                           |                          |
| Charges for services                                     | \$ 27,044                  | \$ 28,285                | \$ 34,141                   | \$ 34,965               | \$ 61,185                 | \$ 63,250                |
| Operating grants/contributions                           | 9,231                      | 8,434                    | 22,112                      | 21,953                  | 31,343                    | 30,387                   |
| Capital grants/contributions                             | 21,097                     | 34,531                   | 2,190                       | 1,673                   | 23,287                    | 36,204                   |
| General revenues:  |                            |                          |                             |                         |                           |                          |
| Property taxes-current collections                       | 45,129                     | 42,227                   |                             |                         | 45,129                    | 42,227                   |
| Sales taxes  | 33,155                     | 29,628                   |                             |                         | 33,155                    | 29,628                   |
| Utility user taxes                                       | 48,300                     | 48,034                   |                             |                         | 48,300                    | 48,034                   |
| Documentary transfer taxes                               | 4,819                      | 3,461                    |                             |                         | 4,819                     | 3,461                    |
| Other taxes  | 5,100                      | 3,592                    |                             |                         | 5,100                     | 3,592                    |
| Use of money and property                                | (4,752)                    | (1,165)                  | (563)                       | (185)                   | (5,315)                   | (1,350)                  |
| Unrestricted intergovernmental                           | 1,807                      | -                        |                             |                         | 1,807                     | -                        |
| Pension stabilization revenue                            | 954                        | 999                      |                             |                         | 954                       | 999                      |
| Other  | 2,151                      | 3,230                    |                             |                         | 2,151                     | 3,230                    |
| Gain on sale of capital assets                           | 269                        | 175                      |                             |                         | 269                       | 175                      |
| Total revenues   | <u>194,304</u>             | <u>201,431</u>           | <u>57,880</u>               | <u>58,406</u>           | <u>252,184</u>            | <u>259,837</u>           |
| <b>Expenses:</b>   |                            |                          |                             |                         |                           |                          |
| General government                                       | 28,879                     | 36,119                   |                             |                         | 28,879                    | 36,119                   |
| Public safety  | 102,733                    | 102,665                  |                             |                         | 102,733                   | 102,665                  |
| Public works   | 43,364                     | 46,404                   |                             |                         | 43,364                    | 46,404                   |
| Community development                                    | 4,772                      | 4,618                    |                             |                         | 4,772                     | 4,618                    |
| Cultural & recreation                                    | 10,492                     | 10,809                   |                             |                         | 10,492                    | 10,809                   |
| Housing & redevelopment                                  | 2,751                      | 1,985                    |                             |                         | 2,751                     | 1,985                    |
| Interest and fiscal charges                              | 17,220                     | 19,439                   |                             |                         | 17,220                    | 19,439                   |
| Richmond Housing Authority                               |                            |                          | 28,049                      | 29,771                  | 28,049                    | 29,771                   |
| Port of Richmond   |                            |                          | 9,923                       | 9,531                   | 9,923                     | 9,531                    |
| Richmond Marina  |                            |                          | 235                         | 253                     | 235                       | 253                      |
| Municipal Sewer  |                            |                          | 15,966                      | 16,298                  | 15,966                    | 16,298                   |
| Storm Sewer  |                            |                          | 3,282                       | 3,211                   | 3,282                     | 3,211                    |
| Cable TV   |                            |                          | 948                         | 891                     | 948                       | 891                      |
| Total expenses   | <u>210,211</u>             | <u>222,039</u>           | <u>58,403</u>               | <u>59,955</u>           | <u>268,614</u>            | <u>281,994</u>           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenses | (15,907)                   | (20,608)                 | (523)                       | (1,549)                 | (16,430)                  | (22,157)                 |
| Extraordinary item                                       |                            |                          |                             | 1,360                   | -                         | 1,360                    |
| Transfers  | 179                        |                          | (179)                       |                         | -                         | -                        |
| Changes in Net Position                                  | <u>(15,728)</u>            | <u>(20,608)</u>          | <u>(702)</u>                | <u>(189)</u>            | <u>(16,430)</u>           | <u>(20,797)</u>          |
| Net position at beginning of year,<br>as restated        | <u>(191,509)</u>           | <u>150,737</u>           | <u>66,600</u>               | <u>79,797</u>           | <u>(124,909)</u>          | <u>230,534</u>           |
| Net position at end of year                              | <u><u>\$ (207,237)</u></u> | <u><u>\$ 130,129</u></u> | <u><u>\$ 65,898</u></u>     | <u><u>\$ 79,608</u></u> | <u><u>\$(141,339)</u></u> | <u><u>\$ 209,737</u></u> |

(A) Fiscal Year 2014 balances are presented as originally reported in last year's financial statements because all information required to restate prior year amounts is not readily available.

## **Governmental Activities:**

Governmental activities decreased the City's net position by \$15.8 million accounting for 96 percent of the City's total decrease in net position of \$16.4 million. Total expenses of \$210.2 million exceeded total revenues of \$194.3 million by \$15.9 million. Current year revenues of \$194.3 million reflect a \$7.1 million decrease and current year expenses of \$210.2 million reflect an \$11.8 million decrease from the prior year resulting in a net increase in the change in net position of \$4.7 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.

Key elements of the change in net position for governmental activities are as follows:

### *Revenues and Transfers Highlights:*

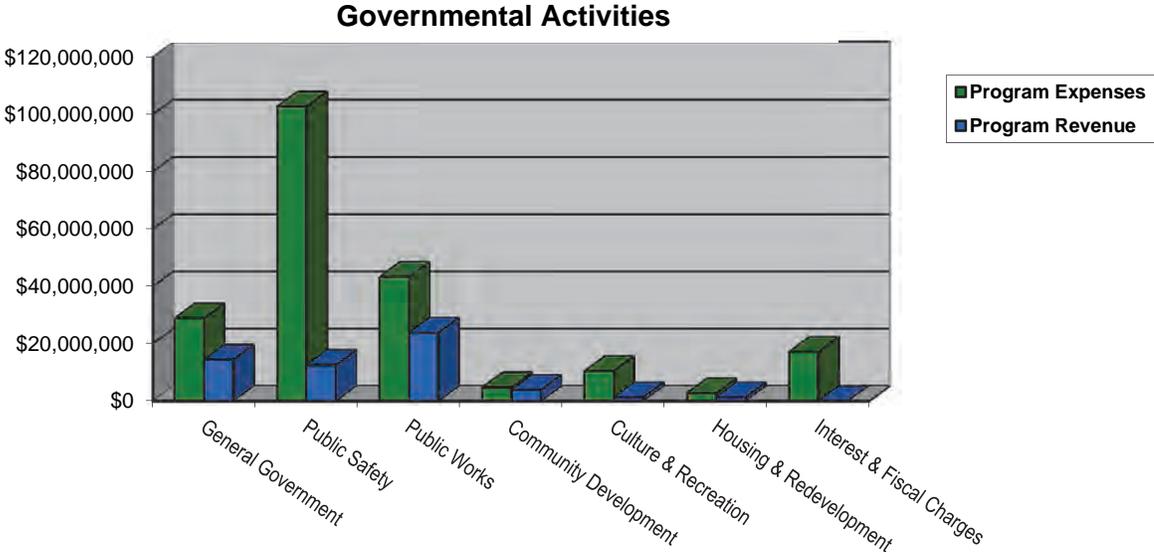
- Capital grants of \$21.1 million represent a decrease of \$13.4 million, or 39 percent. The bulk of this decrease is primarily due to decreases in capital contributions of infrastructure projects from the Successor Agency.
- Charges for services of \$27 million decreased \$1.3 million, or 4.6 percent, from prior year due to a decrease in planning projects for a major corporation.
- The use of money and property declined \$3.6 million from the prior year. The bulk of this decrease was due to a \$3.5 million change in the fair value liability of derivative investments resulting from the City entering into a swaption to effect a refund of the JPFA Civic Center Project Lease Revenue Bonds.
- Sales tax increased \$3.6 million, or 12 percent, in the current year to \$33.2 million primarily due to the collection of Measure U sales taxes approved by the voters during the fiscal year. Collections of the tax began in April 2015.
- Property taxes (current collections) in the current year were \$45.1 million, an increase of \$2.9 million, or approximately 7 percent from prior year receipts. This increase coincides with the City's 8.7% growth in assessed valuation.
- Intergovernmental revenues increased \$1.8 million due to receipts related to the prior dissolution of the Successor Agency.
- Other taxes increased \$1.5 million, or 42 percent from the prior year primarily in garbage and gas taxes.

### *Expense Highlights:*

- Expenses of \$210.2 million reflect an \$11.8 million, or approximately 5 percent, decrease from the prior year. The elements representing the \$11.8 million decrease in expenses are discussed below.

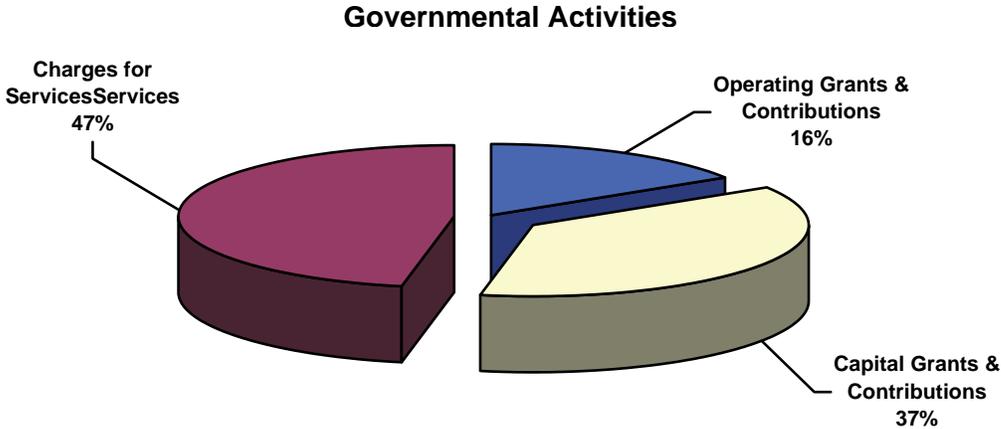
- General Government expenses decreased \$7.2 million, or 20% and Public Works expenses decreased \$3 million, or 7% primarily attributed to reductions in various professional services and other expenses that offset any increases in salaries and benefits as approved in the City’s Memorandum of Understanding (“MOU”) with various labor groups.
- Interest on long-term debt decreased \$2.2 million, or 11% primarily due to decreased interest accretion related to the 2005 Series Pension Obligation Bonds and interest payable.

**Expenses and Program Revenues**

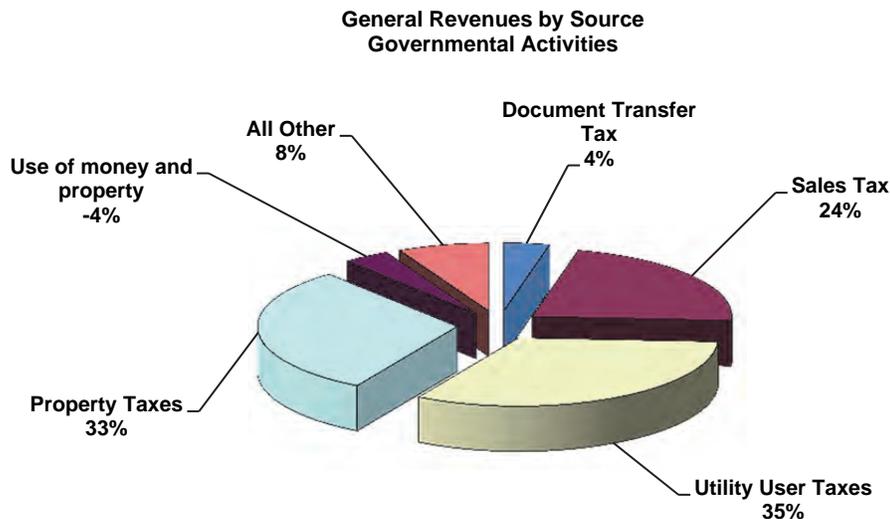


Total governmental activities expenses were \$210.2 million in fiscal year 2015. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, Cultural and Recreation, Community Development and Housing and Redevelopment. These expenses do not include capital outlays, which are reflected in the City’s capital assets.

**Program Revenue by Source**



Total program revenues from governmental activities were \$57.4 million in fiscal year 2015. 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, 47 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. The remaining 53 percent of governmental program revenues come from Operating Grants and Capital Grants Contributions which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.



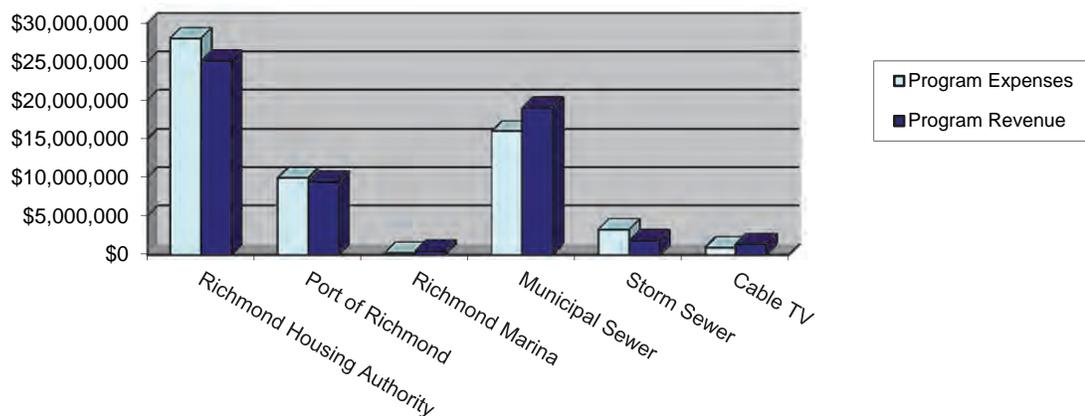
General revenues are all other revenues not categorized as program revenues and include property taxes, sales taxes, utility users’ tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and other miscellaneous general revenues. Total general revenues and transfers from governmental activities were \$137.1 million in fiscal year 2015. The three largest components of general revenues received during fiscal year 2015 for governmental activities were Utility User Taxes of \$48.3 million, Property Taxes-current collections of \$45.1 million, and Sales Taxes of \$33.2 million. The percentage breakdown of the remaining \$10.5 million of General Revenues is presented in the chart above.

**Business Type Activities:** Business-type activities decreased the City’s net position by \$702 thousand. Key factors contributing to the decrease in business-type activities are as follows:

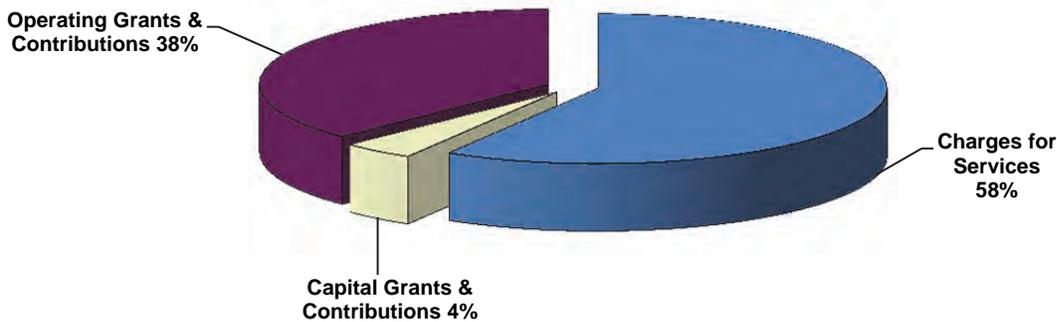
- The Richmond Housing Authority’s (“RHA”) net position decreased by \$2.8 million. RHA’s operating loss of \$26.1 million declined \$1 million, or 4 percent from prior year due to decreases in maintenance and salaries and benefits. The \$26.1 million operating loss is offset by \$22.2 million in grants and interest income, \$1.1 million capital contribution resulting in the \$2.8 million negative change in net position.

- The Port of Richmond (“Port”) reported total operating revenues of \$9.5 million and total operating expenses of \$6.9 million resulting in operating income of \$2.6 million. During the year, the Port incurred \$3.1 million of interest expenses and a \$422 thousand transfer in from the General Fund for the 2009A and 2009B Point Potrero Lease Revenue Bonds debt service which resulted in a \$58 thousand increase in net position.
- The Storm Sewer fund reported a \$1.1 million decrease in its net position from the prior year. The decrease is primarily attributed to operating expenses of \$3.2 million exceeding revenues of \$1.8 million resulting in a \$1.4 million operating loss which is a \$95 thousand increase from prior year. The City is continuing to explore additional revenue sources to address the recurring issue of insufficient operating funds faced over the past few years.
- The Cable TV fund reported a \$70 thousand change in net position as expenses and transfers out exceeded revenues as the result of a one-time \$500,000 transfer to the General Fund.
- The Municipal Sewer fund reported an increase of \$3.1 million in its net position from the prior year. Although the Municipal Sewer reported operating income of approximately \$7.9 million, up \$672 thousand, or 9 percent, from prior year, there were \$5.6 million of non-operating expenses the majority of which represented interest and swap expenses incurred on various Wastewater Debt issues offset by \$800 thousand in federal subsidies received to reduce interest costs associated with Richmond Wastewater Revenue Bonds, Series 10B resulting in a \$3.1 million change in net position.
- The Richmond Marina fund’s net position increased \$163 thousand from the prior year mainly attributed to lease income from berthing rentals exceeding operating costs and debt service expenses associated with California Department of Boating and Waterways loans.

### Expenses and Program Revenues Business-Type Activities



## Program Revenues 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:

Types of governmental funds reported by the City include the General Fund, special revenue funds, capital projects funds and debt service 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.

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective is to enhance the usefulness of fund balance information by providing clearer fund balance categories and classifications that can be more consistently applied and understood: nonspendable, restricted, committed, assigned and unassigned. The contingency reserve is shown as a component of unassigned fund balance. The fund balance note disclosures also give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The fund balance for the City's governmental funds was restated by a net \$2.3 million to \$53.8 million as of July 1, 2014. The restatements included \$1.7 million to adjust Cost Recovery fund for a duplicate accrual and \$2.3 million and \$1.8 million adjustment to loans receivable and unavailable revenue, respectively, in the Community Development and Loan Program Fund. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$60.4 million, a \$6.5 million increase from prior year. Of the total fund balance, \$18.7 million is nonspendable, \$41 million is restricted, \$454 thousand is assigned and \$194 thousand was net unassigned fund balance.

The General Fund is the only fund that should report a positive unassigned fund balance. During fiscal year 2015, the General Fund reported an unassigned fund balance of \$9.9 million which is an increase of \$2 million from prior year and inclusive of the \$10 million contingency reserve. All other governmental funds will only report unassigned fund balance if they are showing a deficit. The following governmental funds reported a cumulative \$9.8 million deficit unassigned fund balance at the end of the fiscal year:

- Cost Recovery Fund deficit of \$8.7 million
- Civic Center Debt Service deficit of \$340 thousand
- Developer Impact Fees deficit of \$515 thousand
- Paratransit Operations deficit of \$254 thousand

The City's major governmental funds are General Fund and Cost Recovery Fund, Community Development and Loan Programs, Environmental and Community Investment Agreement Special Revenue Funds. Financial highlights for the major funds are discussed below.

**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 utility users' tax, sales tax and property taxes. The major expenditures are salaries and administrative expenses.

At the end of the current fiscal year, the total fund balance increased by \$1.1 million from the prior year to \$28.7 million.

During fiscal year 2015, General Fund revenues of \$140.1 million exceeded expenditures of \$135.7 million by \$4.3 million while other financing uses exceeded sources by \$3.2 million resulting in the \$1.1 million positive change in fund balance.

General Fund revenues increased by \$15.7 million, or 13 percent, from prior year while expenditures increased by \$1.8 million, or 1 percent, from prior year. Additionally, net other financing sources decreased by \$3.4 million from prior year to a net other financing use of \$3.2 million in the current year. The three largest revenue sources of utility users, sales and property taxes increased by a combined \$5.7 million, or 5% from the prior year. The bulk of the increase, \$3.5 million, resulted from the collection of Measure U sales taxes and the \$2 million increase in property taxes is due to an 8.7% increase in the City's assessed valuation. Other taxes increased \$2.8 million, or 39 percent from the prior year primarily due to an increase in garbage and gas tax collections. Intergovernmental revenues increased \$2.2 million, or 115 percent primarily due to the receipt of surplus funds from the Successor Agency related to the prior dissolution of the Redevelopment Agency. Additionally, charges for services increased \$4.8 million, or 112 percent primarily due to increased Civic Center rent allocation charges and increased collections of fire inspection fees. The \$1.8 million increase in expenditures can be attributed to a \$734 thousand El Cerrito sales tax sharing payment, \$587 thousand General Pension funding and a reduction in cost pool charges due to the use of swaption proceeds for debt service.

At the end of the fiscal year, the total fund balance for the General Fund of \$28.7 million included \$18.7 million nonspendable fund balance, \$24 thousand assigned fund balance and \$9.9 million unassigned fund balance. The majority of the nonspendable fund balance represents advances to other funds and loans to third parties while the assigned fund balance is to meet future appropriations for specific programs. The \$9.9 million reported as unassigned fund balance represents the contingency reserve that is reflected as a component of unassigned fund balance which increased by \$2 million from the prior fiscal year. The \$2 million increase in unassigned fund balance is the net result of the \$1.1 million positive change in fund balance and \$1.1 million repayment of money advanced to Port of Richmond.

***Cost Recovery*** This fund was established to record the receipt and use of monies for services provided to the public and developers. Cost recovery fund balance was restated by \$1.7 million to a deficit \$10.7 million to adjust for a duplicate revenue accrual in the prior year as discussed in Note 10F. After restatement, total fund balance increased by \$2 million from the prior year to a deficit \$8.6 million. During fiscal year 2015, Cost Recovery expenditures exceeded the revenues by \$2.3 million; however, the fund also reported net other financing sources of \$4.4 million which represented a subsidy from the General Fund. The \$2 million positive change in fund balance for the year is a \$2.6 million increase from the \$598 thousand deficit change reported in the prior year. The City will determine how to address the \$8.6 million deficit fund balance beginning in fiscal year 2016.

***Community Development and Loan Programs*** This fund was established to account for the receipt of Community Development Block Grant, HOME Investment Partnership Program and Neighborhood Stabilization Program grant monies and the use of the grants. In conjunction with the dissolution of the Redevelopment Agency, this fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities. As of July 1, 2014, the fund balance was restated by \$4 million to adjust Housing loan receivable balances as discussed in Note 10F. After restatement, the fund balance increased by \$156 thousand from the prior year to \$23.7 million as of June 30, 2015.

***Environmental and Community Investment Agreement*** This fund was established to account for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement which funds various projects and programs within the City of Richmond. As of June 30, 2015, the City has received a total of \$4 million (\$1 million guaranteed payment and \$3 million for ECIA program) the majority of which is classified as unearned revenue to be spent in the future under the terms of the agreement.

### **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, 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 serves as the governing board of the Authority. RHA’s total net position was restated by \$7 million to \$41.7 million as of July 1, 2014 to implement GASB Statement No. 68 and GASB Statement No. 71 as discussed in Note 10F. After restatement, RHA’s net position declined \$2.8 million to \$38.9 million at June 30, 2015. Of the \$38.9 million, \$36.6 million is the net investment in capital assets and \$1.9 million is unrestricted and \$395 thousand is restricted for housing programs. RHA reported a net loss of \$3.9 million which was offset by a \$1.1 million capital grant contribution for projects resulting in the change in net position of \$2.8 million.

***The Port of Richmond*** The Port of Richmond (“Port”) is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port restated its net position by \$2.2 million to \$7.6 million as of July 1, 2014 to implement GASB Statement No. 68 and GASB Statement No. 71 as discussed in Note 10F. After restatement, the Port’s net position increased \$58 thousand to \$7.7 million at June 30, 2015. The Port reported an operating income of \$2.6 million at the end of the fiscal year due to the slight decline in lease income exceeding the increase in operating expense. However, the Port also reported deficit non-operating expenses of \$363 thousand due to interest expense incurred in conjunction with the Series 2009A and 2009B Point Potrero Lease Revenue Bonds that were issued to fund the construction at the Port that offset the operating income above.

***Municipal Sewer Fund*** This fund is used to account for a variety of sewer service-related revenues and expenses. Municipal Sewer restated its net position by \$1.8 million to \$16.8 million as of July 1, 2014 to implement GASB Statement No. 68 and GASB Statement No. 71 as discussed in Note 10F. After restatement, Municipal Sewer’s net position increased \$3.1 million to \$19.9 million at June 30, 2015. The Municipal Sewer reported a \$7.9 million operating income which is a \$672 thousand increase from prior year which is partially attributed to a \$385 thousand settlement with the City’s third-party operator related to a digester control and \$207 thousand decrease in expenses.

## **Fiduciary Funds:**

The City's fiduciary funds are the pension trust funds, private-purpose trust funds and various agency funds. The Pension Trust Funds which include the General Pension, Police and Fireman's Pension and Garfield Pension were established to account for revenues and expenditures related to former City employee's pension activities. The City administers the activities of the pension funds on behalf of the employees with the assets not being accessible for City operations. The City also uses Private-Purpose Trust Funds to account for a pass-thru federal grant which is being used for pollution remediation in the development of the Naval Fuel Depot Point Molate (Point Molate) and the Successor Agency activities associated with the dissolution of the former Redevelopment Agency. As with the Pension Trust Funds, the assets of the Private Purpose Trust Funds are not accessible for City operations. The City also uses various agency funds to maintain records of assets and the fund's financial activities on behalf of third parties. The City does not make any decisions relating to the uses of the assets nor can they be used for City operations.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget, excluding transfers, bond premium and proceeds from sale of property, reflected \$131 million in estimated revenues and \$137.2 million in appropriations.

Budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review, and Council approved amendments that occurred during the fiscal year.

The final amended budget included an \$8 million increase in estimated revenue and a \$525 thousand decrease in appropriations. Actual revenues of \$140.1 million were \$1.1 million more than adjusted operating revenue projections, a variance of 1 percent. Key elements of the decreases in revenues are discussed as follows:

Final property taxes totaled \$30.9 million which is \$322 thousand less than expected. The City of Richmond experienced Assessed Valuation growth of 8.7%. The Chevron Refinery itself saw a decrease of 1.5%. Excluding the Refinery, the rest of the City experienced assessed valuation growth of 12.2%.

The original budget for sales tax of \$31.1 million was increased by \$2.5 million to \$33.6 million to adjust for the newly approved Measure U Sales Tax approved by the voter in November 2014, with a start date of April 2015. This new extra half cent Sales tax increased the rate in Richmond from 9.0% to 9.5%. Actual sales tax totaled \$33.1 million which is \$434 thousand less than expected.

The utility user tax is a tax imposed on various utilities and is usually collected from customers through their utility bills. The original budget was reduced \$1.6 million from \$50.4 million to \$48.8 million due to lower than expected telecommunication UUT and lower than expected gas and electricity UUT. The first relates to a combination of factors including a saturation of the cellular market, fewer land lines and an increase of prepaid card services which are currently untaxed. The latter is due to gas prices not increasing as originally projected. Actual revenue of \$48.3 million is \$508 thousand below the final budget of \$48.8 million as a result of a lower than expected UUT from telecommunications.

Other taxes' original budget of \$7.5 million was increased \$840 thousand to \$8.3 million at Mid-Year. However, actual other tax revenue of \$9.9 million is \$1.6 higher than the mid-year adjusted projection. This is the result of higher than expected Transfer Tax on sale of properties in Richmond.

Licenses, permits and fees actual revenue of \$2.4 million is \$337 thousand below the budgeted amount of \$2.8 million.

The original budget for Intergovernmental of \$953 thousand was adjusted upward at mid-year to \$3.3 million. The \$2.3 million adjustment at Mid-Year is due to an unbudgeted receipt of surplus funds from the Successor Agency related to the dissolution of the Redevelopment Agency in fiscal year 2014-15. Intergovernmental actual revenues of \$4.1 million are \$806 thousand greater the projected final budget of \$3.3 million as a result of additional \$643 thousand received for Successor Agency Surplus during June 2015.

The final adjusted appropriations were \$136.7 million, a decrease of \$525 thousand from the original adopted budget appropriation of \$137.2 million. Actual operating expenditures of \$135.7 million were \$982 thousand less than final appropriations. The original adopted budget appropriation was reduced due to reductions in salary and benefits for Memorandum of Understanding (MOU) concessions. Additionally, cost pool charges were reduced due to proceeds from swaption related to the anticipated refinance of Civic Center debt. Savings totaling \$1.9 million in payroll benefits and \$1.5 million in professional services were realized with actual expenses lower than the final budget appropriations.

Although the City's original budget deficit was \$10.9 million, a \$8.0 million increase in revenues and \$525 thousand decrease in expenditures decreased the budget deficit to \$2.2 million. Fiscal Year 2014-15 ended with a surplus of \$1.1 million.

## **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, 2015 amounted to \$498.2 million, net of accumulated depreciation, which is \$7.4 million greater than prior year. 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.

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

## Capital Assets by Type

|                             | Governmental activities |                       | Business-type activities |                       | Total                 |                       |
|-----------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                             | 2015                    | 2014                  | 2015                     | 2014                  | 2015                  | 2014                  |
| Land                        | \$ 14,428,675           | \$ 14,428,675         | \$ 8,231,777             | \$ 8,231,777          | \$ 22,660,452         | \$ 22,660,452         |
| Construction in Progress    | 56,394,914              | 64,261,716            | 28,577,142               | 12,765,510            | 84,972,056            | 77,027,226            |
| Building and improvements   | 120,905,968             | 124,223,938           | 39,309,887               | 41,670,621            | 160,215,855           | 165,894,559           |
| Machinery and equipment     | 12,241,846              | 14,315,500            | 5,401,541                | 6,217,975             | 17,643,387            | 20,533,475            |
| Infrastructure              | 104,386,469             | 92,747,334            | 108,283,040              | 111,900,494           | 212,669,509           | 204,647,828           |
| <b>Total Capital assets</b> | <b>\$ 308,357,872</b>   | <b>\$ 309,977,163</b> | <b>\$ 189,803,387</b>    | <b>\$ 180,786,377</b> | <b>\$ 498,161,259</b> | <b>\$ 490,763,540</b> |

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

Additional information about the City's capital assets can be found in Note 6 on pages 72-74 in the financial statements.

### Debt Administration:

*Long Term Debt* – The City's total debt outstanding at June 30, 2015 increased \$2.2 million from \$395.4 million to \$397.6 million.

## Outstanding Debt June 30

|                               | Governmental Activities |                       | Business-type Activities |                       | Total                 |                       |
|-------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                               | 2015                    | 2014                  | 2015                     | 2014                  | 2015                  | 2014                  |
| Revenue bonds                 |                         |                       | \$ 86,867,520            | \$ 89,012,056         | \$ 86,867,520         | \$ 89,012,056         |
| Lease revenue bonds           | \$87,121,545            | \$87,121,545          | 41,984,610               | 44,944,399            | 129,106,155           | 132,065,944           |
| Pension obligation bonds      | 156,491,679             | 157,555,624           |                          |                       | 156,491,679           | 157,555,624           |
| Total bonds payable           | 243,613,224             | 244,677,169           | 128,852,130              | 133,956,455           | 372,465,354           | 378,633,624           |
| Loans payable                 | 12,970,813              | 2,631,887             | 2,861,189                | 2,935,889             | 15,832,002            | 5,567,776             |
| Capital leases                | 9,295,123               | 11,186,685            |                          | -                     | 9,295,123             | 11,186,685            |
| <b>Total outstanding debt</b> | <b>\$ 265,879,160</b>   | <b>\$ 258,495,741</b> | <b>\$ 131,713,319</b>    | <b>\$ 136,892,344</b> | <b>\$ 397,592,479</b> | <b>\$ 395,388,085</b> |

The City does not have any general obligation bonds as of June 30, 2015.

On May 13, 2015, Moody's Investor Services ("Moody's") downgraded the City's issuer rating from "A1" to "Baa1" and the rating on its 1999 Taxable Limited Obligation Pension Bonds from "A2" to "Baa2". In addition, the City and its Wastewater Enterprise bonds were placed under review for possible downgrades. On August 4, 2015, Moody's further downgraded the City's issuer rating from "Baa1" to "Ba1" and its rating on the City's Taxable Pension Obligation Bonds and 1999 Taxable Limited Obligation Pension Bonds ("POB's) from "Baa2". In addition, Moody's downgraded its rating on the City's Wastewater Revenue Bonds, Series 2006A to "Baa2" from "A2". On September 1, 2015, Standard and Poor's Rating Services ("S&P") lowered the City's Issuer Credit Rating from "AA-" to "BBB+" placing the City on CreditWatch. Other credit ratings downgrades included S&P's assigned underlying rating (SPUR) for the Wastewater Enterprise Fund that was lowered from "A+" to "BBB".

Moody's downgrade of the City's issuer rating to "Ba1" resulted in allowing the counterparty, JPMorgan Chase Bank, NA ("JPM") to declare an Additional Termination Event ("ATE") with the interest rate swaps ("2007 Swaps") the City entered in conjunction with the 2005 Taxable POBs. This means that JPM could exercise a right to terminate the 2007 Swaps and demand immediate payment of an approximately \$31.5 million settlement amount that represents the present value of the City's expected future performance obligations under the 2007 Swaps. The City intends to enter into a restructuring of certain of its obligations through the issuance by the Richmond Joint Powers Financing Authority of Lease Revenue Bonds Series 2016A (tax-exempt) to fund the cost of terminating the Civic Center Swaps relating to the Richmond Joint Powers Financing Authority Series 2009 Civic Center Lease Revenue Bonds held by Royal Bank of Canada ("RBC"). RBC will simultaneously enter into a novation of the 2007 Swaps with JPM. By terminating the Civic Center Swaps, the City reduces RBC's credit exposure to the City sufficiently to allow RBC to accept the additional credit exposure associated with stepping into JPM's position in the 2007 swaps through novation. Contemporaneous with the novation from JPM to RBC, RBC and the City will amend and restate the 2007 Swaps, including eliminating the existence of the ATE by removing reference to a Moody's rating in the ATE provisions, reducing the Standard & Poor's rating threshold for a future ATE to BBB- from BBB and providing a mandatory early termination of the 2007 Swaps in 2023. The early termination will require the City to either refund or restructure the 2007 Swap at that date if a termination payment is due at the time. In addition, terminating the Civic Center Swaps will eliminate the risk of an ATE with respect to the Civic Center Swaps, which require the City to maintain its Issuer Credit Rating at the current level of BBB+ to avoid an ATE.

On December 23, 2015, the City received an updated issuer credit rating from S&P affirming the BBB+ issuer credit rating and removing the ratings from CreditWatch and noting that the outlook is stable.

For more detailed information on the City's long-term debt see Note 8 on pages 75-102.

### **Economic Factors, Next Year's Budget and Inflation Rates**

- The East Bay economy continues to recover and with it the City of Richmond. And, with real estate one of the driving forces, assessed valuation ("AV") within the City of Richmond is set to rise in the coming years. Unfortunately, there was a fire at the Chevron refinery in August 2012 which contributed to a 14.7% decline for the City's 2013-14 AV roll, and an 18.6% decline in subsequent property taxes. Excluding the Refinery, the rest of the city experienced assessed valuation growth of 2.2%. In FY2014-15, AV grew by 8.7% for the City as a whole. This includes a decline of the valuation of the Chevron Refinery of 1.5%. If we exclude the Refinery, the rest of the City's AV grew by 12.2%. In FY2015-16, AV grew by 8.9%. This included growth in the AV of the Refinery of 12.7%. Positive growth between 6% to 7% is expected over the next five fiscal years with improvement in the local economy, including residential and commercial real estate. Additionally, Measure U was approved by the Richmond voters with a majority of 55%. The Measure increases the Sales Tax in Richmond from 9.0% to 9.5%, the new rate took effect on April 1, 2015. All the funds will go to the General fund. The tax will yield approximately \$7.5 million in fiscal year 2015-16.

| Assessed Valuation             | 2011   | 2012   | Diff. |        | 2013   | Diff. |        | 2014   | Diff. |        | 2015   | Diff. |        |
|--------------------------------|--------|--------|-------|--------|--------|-------|--------|--------|-------|--------|--------|-------|--------|
| Richmond Total                 | 10,920 | 11,836 | 916   | 8.40%  | 10,888 | -948  | -8.00% | 11,837 | 949   | 8.70%  | 12,893 | 1,056 | 8.92%  |
| Chevron                        | 2,751  | 3,871  | 1,121 | 40.70% | 2,750  | -     | -      | 2,708  | -42   | -1.50% | 3,052  | 344   | 12.70% |
| Richmond total without Chevron | 8,169  | 7,965  | -204  | -2.50% | 8,138  | 173   | 2.20%  | 9,129  | 991   | 12.20% | 9,841  | 712   | 7.80%  |

[1]

[1] Chevron Assessed Valuation for 2014 is from Equalized Roll and total of all Chevron owned parcels, including Chevron USA, Chevron Chemical Company and Chevron Land & Development. Chevron AV from previous years are from Contra Costa County Assessor.

- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City was also one of the first cities to adopt a swap policy.
- The City has established a reserves policy to maintain a contingency reserve within the General Fund. As of June 30, 2015, the City’s policy is to fund a cash reserve of \$10 million, which is a component of unassigned fund balance. However, the balance of unassigned fund balance was only \$9.9 million at that date. The City is working to fully fund the cash reserve.
- 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. Additionally, the City Manager has recommended to the City Council that City services only be expanded if a specific, new revenue stream can be identified, thus preventing the creation of structural deficits.
- The City worked with financial consultants from National Resource Network to prepare a five-year revenue and expenditure forecast and model for the City to use in planning, upcoming labor negotiations and addressing pension and Other Post-Employment Benefits (OPEB) funding.
- The City continues to closely monitor revenue and expenditures through monthly variance reports to assure adherence to budget controls. Simultaneously, position control is strictly enforced, ensuring that any employee hired is moving into a funded position. In addition, the City continues to analyze the structural integrity of all funds and identify additional cost reductions and efficiencies.
- In light of the recent downgrades and termination event, the City is working to novate the Pension Obligation Bond swap from JP Morgan to Royal Bank of Canada.

## 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, 450 Civic Center Plaza, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to [Finance@ci.richmond.ca.us](mailto:Finance@ci.richmond.ca.us).

**CITY OF RICHMOND**  
**JUNE 30, 2015**

|  |
|--|
| <b>STATEMENT OF NET POSITION AND<br/>STATEMENT OF ACTIVITIES</b> |
|--|

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

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources 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 primarily 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 position. 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, deferred outflows/inflows of resources, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, Richmond Joint Powers Finance Authority, City of Richmond Housing Authority, Richmond Neighborhood Stabilization Corporation and Richmond Surplus Property Authority, 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. The balances and the activities of the discretely presented component unit of the RHA Properties are included in these Statements as separate columns.

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**CITY OF RICHMOND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

|  | Primary Government      |                          |                        | Component Unit   |
|--|-------------------------|--------------------------|------------------------|------------------|
|  | Governmental Activities | Business-Type Activities | Total                  | RHA Properties   |
| <b>ASSETS</b>  |                         |                          |                        |                  |
| Cash and investments (Note 3)                            | \$22,387,954            | \$27,034,707             | \$49,422,661           |                  |
| Restricted cash and investments (Note 3)                 | 18,674,831              | 11,603,191               | 30,278,022             |                  |
| Receivables:   |                         |                          |                        |                  |
| Accounts, net  | 14,109,882              | 5,598,498                | 19,708,380             | \$2,500,000      |
| Interest   | 260                     | 168                      | 428                    |                  |
| Grants   | 5,794,623               |                          | 5,794,623              |                  |
| Due from developer (Note 17E)                            |                         | 11,221,743               | 11,221,743             |                  |
| Loans (Note 5)   | 40,309,177              |                          | 40,309,177             |                  |
| Internal balances (Note 4D)                              | 24,403,012              | (24,403,012)             |                        |                  |
| Property held for resale (Note 2I)                       | 2,011,079               |                          | 2,011,079              |                  |
| Prepays, supplies, and other assets                      | 585,651                 | 39,301                   | 624,952                |                  |
| Capital assets (Note 6):                                 |                         |                          |                        |                  |
| Nondepreciable   | 70,823,589              | 36,808,919               | 107,632,508            |                  |
| Depreciable, net   | 237,534,283             | 152,994,468              | 390,528,751            |                  |
| <b>Total Assets</b>                                      | <b>436,634,341</b>      | <b>220,897,983</b>       | <b>657,532,324</b>     | <b>2,500,000</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                         |                          |                        |                  |
| Deferred outflows related to pensions (Notes 11 and 12)  | 17,606,913              | 800,268                  | 18,407,181             |                  |
| Deferred charge on refunding (Note 2G)                   |                         | 5,826,848                | 5,826,848              |                  |
| <b>Total Deferred Outflows of Resources</b>              | <b>17,606,913</b>       | <b>6,627,116</b>         | <b>24,234,029</b>      |                  |
| <b>LIABILITIES</b>                                       |                         |                          |                        |                  |
| Accounts payable and accrued liabilities                 | 4,610,227               | 2,250,013                | 6,860,240              |                  |
| Interest payable   | 3,530,670               | 3,382,282                | 6,912,952              |                  |
| Refundable deposits                                      | 548,370                 | 366,374                  | 914,744                |                  |
| Unearned revenue (Note 9)                                | 14,638,191              | 500,000                  | 15,138,191             |                  |
| Derivative instrument at fair value - liability (Note 8) | 41,648,877              | 9,004,292                | 50,653,169             |                  |
| Compensated absences (Note 2D):                          |                         |                          |                        |                  |
| Due within one year                                      | 6,150,047               | 76,508                   | 6,226,555              |                  |
| Due in more than one year                                | 7,023,208               | 459,918                  | 7,483,126              |                  |
| Claims liabilities (Note 15):                            |                         |                          |                        |                  |
| Due within one year                                      | 7,919,524               |                          | 7,919,524              |                  |
| Due in more than one year                                | 21,664,216              |                          | 21,664,216             |                  |
| Long-term debt (Note 8):                                 |                         |                          |                        |                  |
| Due within one year                                      | 9,491,718               | 5,001,517                | 14,493,235             | 2,500,000        |
| Due in more than one year                                | 256,387,442             | 126,711,802              | 383,099,244            |                  |
| Net pension liability (Notes 11 and 12):                 |                         |                          |                        |                  |
| Due in more than one year                                | 198,427,919             | 10,920,138               | 209,348,057            |                  |
| Net OPEB obligation (Note 13):                           |                         |                          |                        |                  |
| Due in more than one year                                | 39,075,795              |                          | 39,075,795             |                  |
| <b>Total Liabilities</b>                                 | <b>611,116,204</b>      | <b>158,672,844</b>       | <b>769,789,048</b>     | <b>2,500,000</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                         |                          |                        |                  |
| Deferred inflows related to pensions (Notes 11 and 12)   | 50,362,380              | 2,954,305                | 53,316,685             |                  |
| <b>Total Deferred Inflows of Resources</b>               | <b>50,362,380</b>       | <b>2,954,305</b>         | <b>53,316,685</b>      |                  |
| <b>NET POSITION (Note 10)</b>                            |                         |                          |                        |                  |
| Net investment in capital assets                         | 218,144,811             | 74,922,303               | 293,067,114            |                  |
| Restricted for:  |                         |                          |                        |                  |
| Capital projects   | 7,046,716               |                          | 7,046,716              |                  |
| Debt service   | 7,038,944               | 9,013,176                | 16,052,120             |                  |
| Housing and redevelopment                                | 40,492,921              | 395,061                  | 40,887,982             |                  |
| Pension benefits   | 358                     |                          | 358                    |                  |
| <b>Total Restricted Net Position</b>                     | <b>54,578,939</b>       | <b>9,408,237</b>         | <b>63,987,176</b>      |                  |
| Unrestricted (Deficit)                                   | (479,961,080)           | (18,432,590)             | (498,393,670)          |                  |
| <b>Total Net Position (Deficit)</b>                      | <b>(\$207,237,330)</b>  | <b>\$65,897,950</b>      | <b>(\$141,339,380)</b> |                  |

See accompanying notes to financial statements

CITY OF RICHMOND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs                                       | Expenses             | Program Revenues     |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government:</b>                               |                      |                      |                                    |                                  |
| Governmental Activities:                                 |                      |                      |                                    |                                  |
| General government                                       | \$28,879,074         | \$11,107,654         | \$1,100,679                        | \$2,216,601                      |
| Public safety  | 102,732,652          | 10,466,292           | 1,024,407                          | 1,060,617                        |
| Public works   | 43,363,799           | 3,609,577            | 3,590,847                          | 16,654,277                       |
| Community development                                    | 4,771,875            | 1,385,689            | 2,516,288                          |                                  |
| Cultural and recreational                                | 10,492,020           | 475,091              | 818,256                            |                                  |
| Housing and redevelopment                                | 2,751,290            |                      | 180,562                            | 1,165,691                        |
| Interest on long-term debt                               | 17,219,905           |                      |                                    |                                  |
| <b>Total Governmental Activities</b>                     | <b>210,210,615</b>   | <b>27,044,303</b>    | <b>9,231,039</b>                   | <b>21,097,186</b>                |
| Business-type Activities:                                |                      |                      |                                    |                                  |
| Richmond Housing Authority                               | 28,049,474           | 1,917,602            | 22,112,391                         | 1,078,063                        |
| Port of Richmond   | 9,923,282            | 9,480,367            |                                    |                                  |
| Richmond Marina  | 235,054              | 488,201              |                                    |                                  |
| Municipal Sewer  | 15,965,608           | 19,033,406           |                                    | 799,729                          |
| Storm Sewer  | 3,282,406            | 1,845,648            |                                    | 311,932                          |
| Cable TV   | 948,426              | 1,376,194            |                                    |                                  |
| <b>Total Business-type Activities</b>                    | <b>58,404,250</b>    | <b>34,141,418</b>    | <b>22,112,391</b>                  | <b>2,189,724</b>                 |
| <b>Total Primary Government</b>                          | <b>\$268,614,865</b> | <b>\$61,185,721</b>  | <b>\$31,343,430</b>                | <b>\$23,286,910</b>              |
| <b>Component Unit:</b>                                   |                      |                      |                                    |                                  |
| RHA Properties   | \$19,494             |                      |                                    |                                  |
| General revenues:  |                      |                      |                                    |                                  |
| Taxes:   |                      |                      |                                    |                                  |
| Property taxes-current collections                       |                      |                      |                                    |                                  |
| Sales taxes  |                      |                      |                                    |                                  |
| Utility user taxes                                       |                      |                      |                                    |                                  |
| Documentary transfer taxes                               |                      |                      |                                    |                                  |
| Other taxes  |                      |                      |                                    |                                  |
| Unrestricted intergovernmental                           |                      |                      |                                    |                                  |
| Use of money and property                                |                      |                      |                                    |                                  |
| Pension stabilization revenue                            |                      |                      |                                    |                                  |
| Gain from sale of capital assets                         |                      |                      |                                    |                                  |
| Other  |                      |                      |                                    |                                  |
| Transfers, net (Note 4)                                  |                      |                      |                                    |                                  |
| <b>Total general revenues and transfers</b>              |                      |                      |                                    |                                  |
| Change in Net Position                                   |                      |                      |                                    |                                  |
| Net Position (Deficit)-Beginning, as restated (Note 10F) |                      |                      |                                    |                                  |
| Net Position (Deficit)-Ending                            |                      |                      |                                    |                                  |

See accompanying notes to financial statements

| Net (Expense) Revenue and<br>Changes in Net Position<br>Primary Government |                             |                 | Net (Expense)<br>Revenue and<br>Changes in Net Position<br>Component Unit |
|--|-----------------------------|-----------------|---|
| Governmental<br>Activities   | Business-type<br>Activities | Total           | RHA Properties  |
| (\$14,454,140)   |                             | (\$14,454,140)  |   |
| (90,181,336)   |                             | (90,181,336)    |   |
| (19,509,098)   |                             | (19,509,098)    |   |
| (869,898)  |                             | (869,898)       |   |
| (9,198,673)  |                             | (9,198,673)     |   |
| (1,405,037)  |                             | (1,405,037)     |   |
| (17,219,905)   |                             | (17,219,905)    |   |
| (152,838,087)  |                             | (152,838,087)   |   |
|  | (\$2,941,418)               | (2,941,418)     |   |
|  | (442,915)                   | (442,915)       |   |
|  | 253,147                     | 253,147         |   |
|  | 3,867,527                   | 3,867,527       |   |
|  | (1,124,826)                 | (1,124,826)     |   |
|  | 427,768                     | 427,768         |   |
|  | 39,283                      | 39,283          |   |
| (152,838,087)  | 39,283                      | (152,798,804)   |   |
|  |                             |                 | (\$19,494)  |
| 45,129,392   |                             | 45,129,392      |   |
| 33,155,376   |                             | 33,155,376      |   |
| 48,299,958   |                             | 48,299,958      |   |
| 4,818,936  |                             | 4,818,936       |   |
| 5,099,511  |                             | 5,099,511       |   |
| 1,806,532  |                             | 1,806,532       |   |
| (4,752,198)  | (563,129)                   | (5,315,327)     |   |
| 954,202  |                             | 954,202         |   |
| 268,927  |                             | 268,927         |   |
| 2,151,042  |                             | 2,151,042       |   |
| 178,487  | (178,487)                   |                 |   |
| 137,110,165  | (741,616)                   | 136,368,549     |   |
| (15,727,922)   | (702,333)                   | (16,430,255)    | (19,494)  |
| (191,509,408)  | 66,600,283                  | (124,909,125)   | 19,494  |
| (\$207,237,330)  | \$65,897,950                | (\$141,339,380) |   |

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**CITY OF RICHMOND**  
**JUNE 30, 2015**

|                                  |
|----------------------------------|
| <b>FUND FINANCIAL STATEMENTS</b> |
|----------------------------------|

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

The funds described below were determined to be Major Funds by the City in fiscal 2015. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

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

**COST RECOVERY SPECIAL REVENUE FUND**

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

**COMMUNITY DEVELOPMENT AND LOAN PROGRAMS FUND**

The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency, and activities related to the City's loan from the California Department of Toxic Substances Control for the Miraflores Remediation project. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

**ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT (ECIA) SPECIAL REVENUE FUND**

The Environmental and Community Investment Agreement (ECIA) Special Revenue Fund accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015

|   | General             | Cost<br>Recovery   | Community<br>Development and<br>Loan Programs | Environmental<br>and Community<br>Investment<br>Agreement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|---|---|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                    |   |   |                                |                                |
| Cash and investments (Note 3)   | \$7,283,648         |                    |   | \$3,981,833   | \$5,885,076                    | \$17,150,557                   |
| Restricted cash and investments (Note 3)                                  | 2,534               |                    | \$2,942,276                                   |   | 15,730,021                     | 18,674,831                     |
| Receivables:  |                     |                    |   |   |                                |                                |
| Accounts, net   | 9,699,762           | \$2,315,304        | 121,998                                       |   | 1,663,629                      | 13,800,693                     |
| Interest  | 69                  |                    |   |   | 13                             | 82                             |
| Grants  | 738,733             | 680,448            | 866,726                                       |   | 3,508,716                      | 5,794,623                      |
| Loans (Note 5)  | 3,168,247           |                    | 35,379,716                                    |   | 1,011,214                      | 39,559,177                     |
| Property held for resale (Note 2I)  |                     |                    | 1,362,841                                     |   | 648,238                        | 2,011,079                      |
| Advances to other funds (Note 4B)   | 15,460,486          |                    | 174,067                                       |   |                                | 15,634,553                     |
| Prepays, supplies and other assets  | 585,167             |                    |   |   | 484                            | 585,651                        |
| <b>Total Assets</b>   | <b>\$36,938,646</b> | <b>\$2,995,752</b> | <b>\$40,847,624</b>                           | <b>\$3,981,833</b>  | <b>\$28,447,391</b>            | <b>\$113,211,246</b>           |
| <b>LIABILITIES</b>  |                     |                    |   |   |                                |                                |
| Accounts payable and accrued liabilities                                  | \$2,732,725         | \$325,856          | \$86,494                                      | \$10,695  | \$1,219,253                    | \$4,375,023                    |
| Refundable deposits   | 87,291              | 461,079            |   |   |                                | 548,370                        |
| Due to other funds (Note 4A)  |                     | 8,527,374          | 1,212,400                                     |   | 3,476,855                      | 13,216,629                     |
| Unearned revenue (Note 9)   | 4,252,201           | 1,712,077          |   | 3,971,138   | 3,505,010                      | 13,440,426                     |
| <b>Total Liabilities</b>  | <b>7,072,217</b>    | <b>11,026,386</b>  | <b>1,298,894</b>                              | <b>3,981,833</b>  | <b>8,201,118</b>               | <b>31,580,448</b>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                    |   |   |                                |                                |
| Unavailable revenue (Note 9)  | 1,184,693           | 616,001            | 15,893,418                                    |   | 3,561,911                      | 21,256,023                     |
| <b>FUND BALANCES (Note 10)</b>  |                     |                    |   |   |                                |                                |
| Nonspendable  | 18,708,682          |                    |   |   | 484                            | 18,709,166                     |
| Restricted  |                     |                    | 23,655,312                                    |   | 17,362,290                     | 41,017,602                     |
| Assigned  | 23,934              |                    |   |   | 430,083                        | 454,017                        |
| Unassigned  | 9,949,120           | (8,646,635)        |   |   | (1,108,495)                    | 193,990                        |
| <b>Total Fund Balances</b>  | <b>28,681,736</b>   | <b>(8,646,635)</b> | <b>23,655,312</b>                             |   | <b>16,684,362</b>              | <b>60,374,775</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$36,938,646</b> | <b>\$2,995,752</b> | <b>\$40,847,624</b>                           | <b>\$3,981,833</b>  | <b>\$28,447,391</b>            | <b>\$113,211,246</b>           |

See accompanying notes to financial statements

CITY OF RICHMOND  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$60,374,775

Amounts reported for Governmental Activities in the Statement of Net Position 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. 308,357,872

**ALLOCATION OF INTERNAL SERVICE FUND NET POSITION**

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 position of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

|  |              |
|--|--------------|
| Cash and investments                                       | 5,237,397    |
| Accounts receivable  | 310,189      |
| Interest receivable  | 178          |
| Loans receivable   | 750,000      |
| Due from other funds                                       | 19,845,158   |
| Advances to other funds                                    | 2,139,930    |
| Accounts payable, accrued liabilities and interest payable | (235,204)    |
| Compensated absences                                       | (262,205)    |
| Unearned revenue   | (1,197,765)  |
| Claims payable   | (29,583,740) |

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 21,255,023

**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  | (3,530,670)   |
| Long-term debt  | (265,879,160) |
| Derivative instrument at fair value - liability                         | (41,648,877)  |
| Net pension liability and deferred outflows/inflows related to pensions | (231,183,386) |
| Net OPEB obligation   | (39,075,795)  |
| Governmental activities portion of compensated absences                 | (12,911,050)  |

**NET POSITION OF GOVERNMENTAL ACTIVITIES** (\$207,237,330)

See accompanying notes to financial statements

CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

|   | General             | Cost<br>Recovery     | Community<br>Development and<br>Loan Programs | Environmental<br>and Community<br>Investment<br>Agreement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|----------------------|---|---|--------------------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                      |   |   |                                |                                |
| Property taxes  | \$30,904,650        |                      |   |   | \$15,593,411                   | \$46,498,061                   |
| Sales taxes   | 33,131,486          |                      |   |   |                                | 33,131,486                     |
| Utility user taxes  | 48,299,958          |                      |   |   |                                | 48,299,958                     |
| Other taxes   | 9,918,447           |                      |   |   |                                | 9,918,447                      |
| Licenses, permits and fees  | 2,439,359           | \$6,206,851          | \$462,892                                     |   | 3,300,523                      | 12,409,625                     |
| Fines, forfeitures and penalties                                      | 482,567             | 849,667              |   |   | 21,284                         | 1,353,518                      |
| Use of money and property   | 77,228              |                      | 118,817                                       |   | 29,484                         | 225,529                        |
| Intergovernmental   | 4,097,963           | 1,680,081            | 1,943,397                                     | \$28,862  | 11,478,694                     | 19,228,997                     |
| Charges for services  | 9,141,441           | 4,086,367            |   |   | 380,032                        | 13,607,840                     |
| Pension stabilization revenue   |                     |                      |   |   | 954,202                        | 954,202                        |
| Other   | 768,619             | 16,348               | 686,190                                       |   | 506,531                        | 1,977,688                      |
| Rent  | 809,113             |                      |   |   |                                | 809,113                        |
| <b>Total Revenues</b>   | <b>140,070,831</b>  | <b>12,839,314</b>    | <b>3,211,296</b>                              | <b>28,862</b>   | <b>32,264,161</b>              | <b>188,414,464</b>             |
| <b>EXPENDITURES</b>   |                     |                      |   |   |                                |                                |
| Current:  |                     |                      |   |   |                                |                                |
| General government  | 21,241,969          | 7,248,840            |   | 28,862  | 1,266,418                      | 29,786,089                     |
| Public safety   | 83,960,461          | 4,301,664            |   |   | 1,957,856                      | 90,219,981                     |
| Public works  | 18,686,952          | 3,459,283            |   |   | 3,660,202                      | 25,806,437                     |
| Community development   |                     |                      | 170,262                                       |   | 4,416,071                      | 4,586,333                      |
| Cultural and recreational   | 9,658,457           |                      |   |   | 363,024                        | 10,021,481                     |
| Housing and redevelopment   |                     |                      | 2,583,436                                     |   | 42,097                         | 2,625,533                      |
| Capital outlay  | 256,353             | 143,467              | 200,000                                       |   | 7,578,829                      | 8,178,649                      |
| Debt service:   |                     |                      |   |   |                                |                                |
| Principal   | 1,320,695           |                      | 800,000                                       |   | 5,722,135                      | 7,842,830                      |
| Interest and fiscal charges   | 610,575             |                      | 15,967  |   | 12,781,062                     | 13,407,604                     |
| <b>Total Expenditures</b>   | <b>135,735,462</b>  | <b>15,153,254</b>    | <b>3,769,665</b>                              | <b>28,862</b>   | <b>37,787,694</b>              | <b>192,474,937</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>  | <b>4,335,369</b>    | <b>(2,313,940)</b>   | <b>(558,369)</b>                              |   | <b>(5,523,533)</b>             | <b>(4,060,473)</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                                 |                     |                      |   |   |                                |                                |
| Issuance of debt (Note 8)   |                     |                      |   |   | 11,175,436                     | 11,175,436                     |
| Bond issuance premium   | 82,880              |                      |   |   |                                | 82,880                         |
| Proceeds from sale of property  | 268,927             |                      |   |   |                                | 268,927                        |
| Transfers in (Note 4C)  | 4,106,974           | 4,359,670            | 714,293                                       |   | 3,699,038                      | 12,879,975                     |
| Transfers (out) (Note 4C)   | (7,654,242)         |                      |   |   | (6,161,327)                    | (13,815,569)                   |
| <b>Total Other Financing Sources (Uses)</b>                           | <b>(3,195,461)</b>  | <b>4,359,670</b>     | <b>714,293</b>                                |   | <b>8,713,147</b>               | <b>10,591,649</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                                    | <b>1,139,908</b>    | <b>2,045,730</b>     | <b>155,924</b>                                |   | <b>3,189,614</b>               | <b>6,531,176</b>               |
| <b>BEGINNING FUND BALANCES (DEFICITS),<br/>AS RESTATED (Note 10F)</b> | <b>27,541,828</b>   | <b>(10,692,365)</b>  | <b>23,499,388</b>                             |   | <b>13,494,748</b>              | <b>53,843,599</b>              |
| <b>ENDING FUND BALANCES (DEFICITS)</b>                                | <b>\$28,681,736</b> | <b>(\$8,646,635)</b> | <b>\$23,655,312</b>                           |   | <b>\$16,684,362</b>            | <b>\$60,374,775</b>            |

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, 2015

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 Position 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 \$6,531,176

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 6,825,300  
Depreciation expense is deducted from the fund balance  
(Depreciation expense is net of internal service fund depreciation of \$2,073,551 which has already been allocated to serviced funds) (18,039,848)

Retirements of capital assets are deducted from the fund balance  
(Retirements are net of internal service fund retirements of \$81,055 which has already been allocated to serviced funds) (1,155,192)  
Capital contributions from developers and the Successor Agency are added to fund balance 12,010,974

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 Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 7,842,830  
Capital appreciation bonds accretion is deducted from fund balance (4,594,055)  
Interest accruals on debt are deducted from fund balance (29,404)  
Proceeds from debt issuance is deducted from fund balance (11,175,436)

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 849,459  
Unavailable revenue 589,600  
Derivative instrument at fair value - liability (5,122,721)  
Compensated absences (670,833)  
Net pension liability and deferred outflows/inflows related to pensions 326,222  
Net OPEB obligation (8,191,903)

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 Position - All Internal Service Funds (1,724,091)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$15,727,922)

See accompanying notes to financial statements

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**CITY OF RICHMOND**  
**JUNE 30, 2015**

|                                |
|--------------------------------|
| <b>MAJOR PROPRIETARY FUNDS</b> |
|--------------------------------|

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 2015.

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

**RICHMOND HOUSING AUTHORITY**

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

**PORT OF RICHMOND**

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

**MUNICIPAL SEWER**

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

CITY OF RICHMOND  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

|   | Business-type Activities-Enterprise Funds |                     |                     |                              | Totals              | Governmental<br>Activities-<br>Internal Service<br>Funds |
|---|---|---------------------|---------------------|------------------------------|---------------------|--|
|   | Richmond<br>Housing<br>Authority          | Port of<br>Richmond | Municipal<br>Sewer  | Other<br>Enterprise<br>Funds |                     |  |
| <b>ASSETS</b>   |   |                     |                     |                              |                     |  |
| Current assets:   |   |                     |                     |                              |                     |  |
| Cash and investments (Note 3)                             | \$938,866                                 |                     | \$22,248,218        | \$3,847,623                  | \$27,034,707        | \$5,237,397  |
| Restricted cash and<br>investments (Note 3)               | 597,804                                   | \$9,013,176         | 1,992,211           |                              | 11,603,191          |  |
| Receivables:  |   |                     |                     |                              |                     |  |
| Accounts, net   | 480,148                                   | 4,637,208           | 55,263              | 425,879                      | 5,598,498           | 310,189  |
| Interest  |   |                     | 168                 |                              | 168                 | 178  |
| Grants  |   |                     |                     |                              |                     |  |
| Notes (Note 5)  |   |                     |                     |                              |                     | 750,000  |
| Prepays and other assets                                  | 39,301                                    |                     |                     |                              | 39,301              |  |
| Due from other funds (Note 4A)                            |   |                     |                     |                              |                     | 19,845,158   |
| Total current assets                                      | <u>2,056,119</u>                          | <u>13,650,384</u>   | <u>24,295,860</u>   | <u>4,273,502</u>             | <u>44,275,865</u>   | <u>26,142,922</u>  |
| Noncurrent assets:  |   |                     |                     |                              |                     |  |
| Receivables:  |   |                     |                     |                              |                     |  |
| Due from developer  | 11,221,743                                |                     |                     |                              | 11,221,743          |  |
| Capital assets (Note 6):                                  |   |                     |                     |                              |                     |  |
| Nondepreciable  | 4,587,794                                 | 10,609,081          | 21,612,044          |                              | 36,808,919          | 230,725  |
| Depreciable, net  | 32,011,973                                | 47,866,672          | 68,512,880          | 4,602,943                    | 152,994,468         | 6,439,790  |
| Advances to other funds (Note 4B)                         |   |                     | 901,396             | 167,451                      | 1,068,847           | 2,139,930  |
| Total noncurrent assets                                   | <u>47,821,510</u>                         | <u>58,475,753</u>   | <u>91,026,320</u>   | <u>4,770,394</u>             | <u>202,093,977</u>  | <u>8,810,445</u>   |
| Total Assets  | <u>49,877,629</u>                         | <u>72,126,137</u>   | <u>115,322,180</u>  | <u>9,043,896</u>             | <u>246,369,842</u>  | <u>34,953,367</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |   |                     |                     |                              |                     |  |
| Deferred outflows related to pensions (Note 11)           | 386,065                                   | 151,468             | 125,625             | 137,110                      | 800,268             | 234,738  |
| Deferred charge on refunding (Note 2G)                    |   | 16,672              | 5,810,176           |                              | 5,826,848           |  |
| Total Deferred outflows of resources                      | <u>386,065</u>                            | <u>168,140</u>      | <u>5,935,801</u>    | <u>137,110</u>               | <u>6,627,116</u>    | <u>234,738</u>   |
| <b>LIABILITIES</b>  |   |                     |                     |                              |                     |  |
| Current liabilities:                                      |   |                     |                     |                              |                     |  |
| Accounts payable and accrued liabilities                  | 206,484                                   | 246,936             | 1,772,607           | 23,986                       | 2,250,013           | 234,906  |
| Interest payable  |   | 1,487,895           | 1,776,363           | 118,024                      | 3,382,282           | 298  |
| Due to other funds (Note 4A)                              | 1,294,877                                 | 3,005,157           |                     | 2,328,495                    | 6,628,529           |  |
| Refundable deposits                                       | 202,743                                   | 81,750              |                     | 81,881                       | 366,374             |  |
| Compensated absences (Note 2D)                            | 27,177                                    |                     |                     | 49,331                       | 76,508              |  |
| Claims payable (Note 15)                                  |   |                     |                     |                              |                     | 7,919,524  |
| Current portion of long-term debt (Note 8B)               |   | 2,723,455           | 2,200,000           | 78,062                       | 5,001,517           | 342,808  |
| Total current liabilities                                 | <u>1,731,281</u>                          | <u>7,545,193</u>    | <u>5,748,970</u>    | <u>2,679,779</u>             | <u>17,705,223</u>   | <u>8,497,536</u>   |
| Noncurrent liabilities:                                   |   |                     |                     |                              |                     |  |
| Advances from other funds (Note 4B)                       | 1,942,914                                 | 14,760,486          |                     | 2,139,930                    | 18,843,330          |  |
| Compensated absences (Note 2D)                            | 244,596                                   | 188,937             | 26,385              |                              | 459,918             | 262,205  |
| Unearned revenue (Note 9)                                 |   | 500,000             |                     |                              | 500,000             | 1,197,765  |
| Claims payable (Note 15)                                  |   |                     |                     |                              |                     | 21,664,216   |
| Derivative instrument at fair value - liability (Note 8B) |   | 12,292              | 8,992,000           |                              | 9,004,292           |  |
| Long-term debt, net (Note 8B)                             |   | 39,261,155          | 84,667,520          | 2,783,127                    | 126,711,802         | 534,132  |
| Net pension liability (Note 11)                           | 5,867,275                                 | 1,847,754           | 1,532,497           | 1,672,612                    | 10,920,138          | 2,863,581  |
| Total noncurrent liabilities                              | <u>8,054,785</u>                          | <u>56,570,624</u>   | <u>95,218,402</u>   | <u>6,595,669</u>             | <u>166,439,480</u>  | <u>26,521,899</u>  |
| Total Liabilities   | <u>9,786,066</u>                          | <u>64,115,817</u>   | <u>100,967,372</u>  | <u>9,275,448</u>             | <u>184,144,703</u>  | <u>35,019,435</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |   |                     |                     |                              |                     |  |
| Deferred inflows related to pensions (Note 11)            | 1,587,317                                 | 499,886             | 414,598             | 452,504                      | 2,954,305           | 774,705  |
| Total Deferred inflows of resources                       | <u>1,587,317</u>                          | <u>499,886</u>      | <u>414,598</u>      | <u>452,504</u>               | <u>2,954,305</u>    | <u>774,705</u>   |
| <b>NET POSITION (Note 10)</b>                             |   |                     |                     |                              |                     |  |
| Net investment in capital assets                          | 36,599,767                                | 25,520,991          | 11,059,791          | 1,741,754                    | 74,922,303          | 5,793,575  |
| Restricted for housing programs                           | 395,061                                   |                     |                     |                              | 395,061             |  |
| Restricted for debt service                               |   | 9,013,176           |                     |                              | 9,013,176           |  |
| Unrestricted  | 1,895,483                                 | (26,855,593)        | 8,816,220           | (2,288,700)                  | (18,432,590)        | (6,399,610)  |
| Total Net Position  | <u>\$38,890,311</u>                       | <u>\$7,678,574</u>  | <u>\$19,876,011</u> | <u>(\$546,946)</u>           | <u>\$65,897,950</u> | <u>(\$606,035)</u>                                       |

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

|   | Business-type Activities-Enterprise Funds |                     |                     |                              | Totals              | Governmental<br>Activities-<br>Internal Service<br>Funds |
|---|---|---------------------|---------------------|------------------------------|---------------------|--|
|   | Richmond<br>Housing<br>Authority          | Port of<br>Richmond | Municipal<br>Sewer  | Other<br>Enterprise<br>Funds |                     |  |
| <b>OPERATING REVENUES</b>   |   |                     |                     |                              |                     |  |
| Rental  | \$1,588,435                               |                     |                     |                              | \$1,588,435         |  |
| Service charges   |   | \$2,417,134         | \$18,648,404        | \$2,980,343                  | 24,045,881          | \$23,029,435   |
| Lease income  |   | 7,063,233           |                     | 492,764                      | 7,555,997           |  |
| Other   | 329,167                                   |                     | 385,002             | 236,936                      | 951,105             |  |
| <b>Total Operating Revenues</b>                                     | <u>1,917,602</u>                          | <u>9,480,367</u>    | <u>19,033,406</u>   | <u>3,710,043</u>             | <u>34,141,418</u>   | <u>23,029,435</u>  |
| <b>OPERATING EXPENSES</b>   |   |                     |                     |                              |                     |  |
| Salaries and benefits   | 6,114,429                                 | 883,260             | 849,665             | 895,441                      | 8,742,795           | 5,184,564  |
| General and administrative  |   | 1,854,273           | 8,343,717           | 2,329,782                    | 12,527,772          | 2,269,641  |
| Maintenance   | 1,960,086                                 | 648,781             | 197                 |                              | 2,609,064           | 497,882  |
| Depreciation  | 2,421,400                                 | 3,476,105           | 1,642,065           | 1,038,094                    | 8,577,664           | 2,073,551  |
| Housing assistance  | 17,553,559                                |                     |                     |                              | 17,553,559          |  |
| Claims losses   |   |                     |                     |                              |                     | 15,857,256   |
| Other   |   | 1,634               | 337,131             | 44                           | 338,809             | 10,351   |
| <b>Total Operating Expenses</b>                                     | <u>28,049,474</u>                         | <u>6,864,053</u>    | <u>11,172,775</u>   | <u>4,263,361</u>             | <u>50,349,663</u>   | <u>25,893,245</u>  |
| <b>Operating Income (Loss)</b>                                      | <u>(26,131,872)</u>                       | <u>2,616,314</u>    | <u>7,860,631</u>    | <u>(553,318)</u>             | <u>(16,208,245)</u> | <u>(2,863,810)</u>                                       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                             |   |                     |                     |                              |                     |  |
| Loss on retirement of capital assets                                |   |                     |                     |                              |                     | (81,055)   |
| Interest income   | 135,899                                   | 79,900              | (790,571)           | 11,643                       | (563,129)           | 144,994  |
| Grants  | 22,112,391                                |                     |                     |                              | 22,112,391          |  |
| Interest (expense)  |   | (3,059,229)         | (4,792,833)         | (202,525)                    | (8,054,587)         | (38,301)   |
| <b>Total Nonoperating Revenues (Expenses)</b>                       | <u>22,248,290</u>                         | <u>(2,979,329)</u>  | <u>(5,583,404)</u>  | <u>(190,882)</u>             | <u>13,494,675</u>   | <u>25,638</u>  |
| <b>Income (Loss) Before Contributions and Transfers</b>             | <u>(3,883,582)</u>                        | <u>(363,015)</u>    | <u>2,277,227</u>    | <u>(744,200)</u>             | <u>(2,713,570)</u>  | <u>(2,838,172)</u>                                       |
| Capital contributions/grants  | 1,078,063                                 |                     | 799,729             | 311,932                      | 2,189,724           |  |
| Transfers in (Note 4C)  |   | 421,513             |                     |                              | 421,513             | 1,114,081  |
| Transfers out (Note 4C)   |   |                     |                     | (600,000)                    | (600,000)           |  |
| <b>Total Contributions and Transfers</b>                            | <u>1,078,063</u>                          | <u>421,513</u>      | <u>799,729</u>      | <u>(288,068)</u>             | <u>2,011,237</u>    | <u>1,114,081</u>   |
| <b>Change in net position</b>                                       | <u>(2,805,519)</u>                        | <u>58,498</u>       | <u>3,076,956</u>    | <u>(1,032,268)</u>           | <u>(702,333)</u>    | <u>(1,724,091)</u>                                       |
| <b>BEGINNING NET POSITION (DEFICIT),<br/>AS RESTATED (Note 10F)</b> | <u>41,695,830</u>                         | <u>7,620,076</u>    | <u>16,799,055</u>   | <u>485,322</u>               | <u>66,600,283</u>   | <u>1,118,056</u>   |
| <b>ENDING NET POSITION (DEFICIT)</b>                                | <u>\$38,890,311</u>                       | <u>\$7,678,574</u>  | <u>\$19,876,011</u> | <u>(\$546,946)</u>           | <u>\$65,897,950</u> | <u>(\$606,035)</u>                                       |

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

|   | <b>Business-type Activities-Enterprise Funds</b> |                     |                     |                              | Totals              | Governmental<br>Activities-<br>Internal Service<br>Funds |
|---|--|---------------------|---------------------|------------------------------|---------------------|--|
|   | Richmond<br>Housing<br>Authority                 | Port of<br>Richmond | Municipal<br>Sewer  | Other<br>Enterprise<br>Funds |                     |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                     |                     |                              |                     |  |
| Receipts from customers   | \$1,711,990                                      | \$9,283,478         | \$19,037,245        | \$3,680,342                  | \$33,713,055        | \$23,457,612   |
| Payments to suppliers   | (22,083,198)                                     | (2,451,304)         | (7,615,522)         | (2,607,438)                  | (34,757,462)        | (2,753,524)  |
| Payments to employees   | (1,911,970)                                      | (937,050)           | (845,947)           | (912,027)                    | (4,606,994)         | (5,185,356)  |
| Insurance premiums and claims paid  |  |                     |                     |                              |                     | (11,970,666)   |
| <b>Cash Flows from Operating Activities</b>   | <b>(22,283,178)</b>                              | <b>5,895,124</b>    | <b>10,575,776</b>   | <b>160,877</b>               | <b>(5,651,401)</b>  | <b>3,548,066</b>   |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>                                    |  |                     |                     |                              |                     |  |
| Interfund receipts  | 700,000  |                     |                     | 474,997                      | 1,174,997           |  |
| Interfund payments  |  | (656,439)           |                     |                              | (656,439)           | (962,214)  |
| Receipts from other governments   | 22,055,779                                       |                     |                     |                              | 22,055,779          |  |
| Transfers out   |  |                     |                     | (600,000)                    | (600,000)           |  |
| Transfers in  |  | 421,513             |                     |                              | 421,513             | 1,114,081  |
| <b>Cash Flows from Noncapital<br/>Financing Activities</b>                                    | <b>22,755,779</b>                                | <b>(234,926)</b>    |                     | <b>(125,003)</b>             | <b>22,395,850</b>   | <b>151,867</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                           |  |                     |                     |                              |                     |  |
| Receipts from other governments   |  |                     | 799,729             |                              | 799,729             |  |
| Grant receipts  | 1,078,063  |                     |                     | 311,932                      | 1,389,995           |  |
| Acquisition of capital assets   | (1,287,503)                                      | (339,572)           | (15,967,600)        |                              | (17,594,675)        | (894,081)  |
| Principal payments on capital debt  |  | (3,025,000)         | (2,115,000)         | (74,700)                     | (5,214,700)         | (572,646)  |
| Interest paid   |  | (3,077,165)         | (4,499,235)         | (205,606)                    | (7,782,006)         | (38,473)   |
| <b>Cash Flows from Capital and<br/>Related Financing Activities</b>                           | <b>(209,440)</b>                                 | <b>(6,441,737)</b>  | <b>(21,782,106)</b> | <b>31,626</b>                | <b>(28,401,657)</b> | <b>(1,505,200)</b>                                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                     |                     |                              |                     |  |
| Repayment on notes receivable   | 344,662  |                     |                     |                              | 344,662             |  |
| Interest  | 135,899  | 948                 | 69,779              | 12,420                       | 219,046             | 149,323  |
| <b>Cash Flows from Investing Activities</b>   | <b>480,561</b>                                   | <b>948</b>          | <b>69,779</b>       | <b>12,420</b>                | <b>563,708</b>      | <b>149,323</b>   |
| <b>Net Cash Flows</b>   | <b>743,722</b>                                   | <b>(780,591)</b>    | <b>(11,136,551)</b> | <b>79,920</b>                | <b>(11,093,500)</b> | <b>2,344,056</b>   |
| Cash and investments at beginning of period   | 792,948  | 9,793,767           | 35,376,980          | 3,767,703                    | 49,731,398          | 2,893,341  |
| Cash and investments at end of period   | <u>\$1,536,670</u>                               | <u>\$9,013,176</u>  | <u>\$24,240,429</u> | <u>\$3,847,623</u>           | <u>\$38,637,898</u> | <u>\$5,237,397</u>                                       |
| <b>Reconciliation of Operating Income (Loss) to Cash Flows<br/>from Operating Activities:</b> |  |                     |                     |                              |                     |  |
| Operating income (loss)   | (\$26,131,872)                                   | \$2,616,314         | \$7,860,631         | (\$553,318)                  | (\$16,208,245)      | (\$2,863,810)  |
| Adjustments to reconcile operating income<br>to cash flows from operating activities:         |  |                     |                     |                              |                     |  |
| Depreciation  | 2,421,400  | 3,476,105           | 1,642,065           | 1,038,094                    | 8,577,664           | 2,073,551  |
| Change in assets and liabilities:   |  |                     |                     |                              |                     |  |
| Receivables, net  | 196,385  | (208,889)           | 3,839               | (29,701)                     | (38,366)            | 567,484  |
| Prepays and other assets  | 14,144   |                     |                     |                              | 14,144              |  |
| Accounts payable and accrued liabilities<br>and other accrued expenses                        | 1,130,155  | 53,384              | 1,065,523           | (277,612)                    | 1,971,450           | 24,350   |
| Refundable deposits   | 845  | 12,000              |                     |                              | 12,845              |  |
| Unearned revenue  |  |                     |                     |                              |                     | (139,307)  |
| Compensated absences payable  |  | (46,758)            | 9,550               | (10,221)                     | (47,429)            | 10,105   |
| Claims payable  |  |                     |                     |                              |                     | 3,886,590  |
| Net pension liability and deferred outflows/inflows<br>of resources                           | 85,765   | (7,032)             | (5,832)             | (6,365)                      | 66,536              | (10,897)   |
| <b>Cash Flows from Operating Activities</b>   | <b>(22,283,178)</b>                              | <b>5,895,124</b>    | <b>10,575,776</b>   | <b>160,877</b>               | <b>(5,651,401)</b>  | <b>3,548,066</b>   |
| <b>Non cash transactions:</b>   |  |                     |                     |                              |                     |  |
| Change in fair value of investment derivative   |  | \$78,952            | (\$856,000)         |                              | (\$777,048)         |  |
| Amortization of deferred charge on refunding  |  | (8,336)             | (358,020)           |                              | (366,356)           |  |
| Retirement of capital assets  |  |                     |                     |                              |                     | \$81,055   |

See accompanying notes to financial statements

**CITY OF RICHMOND**  
**JUNE 30, 2015**

|                        |
|------------------------|
| <b>FIDUCIARY FUNDS</b> |
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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, or other governments.

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 Trust and Agency 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 POSITION  
 JUNE 30, 2015

|  | <u>Pension<br/>Trust<br/>Funds</u> | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|--|------------------------------------|--|-------------------------|
| <b>ASSETS</b>  |                                    |  |                         |
| Cash and investments (Note 3)                              |                                    | \$919,176                              | \$6,447,946             |
| Restricted cash and investments (Note 3)                   |                                    | 37,362,141                             | 1,807,219               |
| Investment in reassessment bonds (Note 3)                  |                                    |  | 12,377,500              |
| Pension plan cash and investments (Note 12C):              |                                    |  |                         |
| City of Richmond Investment Pool                           | \$2,438,020                        |  |                         |
| Local Agency Investment Fund                               | 172,439                            |  |                         |
| Mutual Fund Investments                                    | 13,355,777                         |  |                         |
| Accounts receivable  |                                    | 192,035                                | 227,671                 |
| Interest receivable  |                                    | 113                                    |                         |
| Grants receivable  |                                    | 9,814,385                              |                         |
| Loans receivable (Note 18B)                                |                                    | 2,086,000                              |                         |
| Prepays and other assets                                   |                                    | 6,955,456                              |                         |
| Capital assets (Note 18C):                                 |                                    |  |                         |
| Nondepreciable   |                                    | 22,931,406                             |                         |
| Depreciable, net   |                                    | 8,395                                  |                         |
|  | <u>15,966,236</u>                  | <u>80,269,107</u>                      | <u>\$20,860,336</u>     |
| <b>LIABILITIES</b>   |                                    |  |                         |
| Accounts payable and accrued liabilities                   |                                    | 7,003,124                              | \$1,119,018             |
| Refundable deposits payable                                |                                    |  | 1,209,693               |
| Interest payable   |                                    | 1,505,119                              |                         |
| Derivative instrument at fair value - liability (Note 18D) |                                    | 5,809,000                              |                         |
| Long-term debt (Note 18D):                                 |                                    |  |                         |
| Due within one year  |                                    | 7,050,500                              |                         |
| Due in more than one year                                  |                                    | 110,414,779                            |                         |
| Due to assessment district bondholders                     |                                    |  | 18,531,625              |
|  | <u>131,782,522</u>                 | <u>18,531,625</u>                      | <u>\$20,860,336</u>     |
| <b>NET POSITION</b>  |                                    |  |                         |
| Restricted for employees' pension benefits                 | <u>\$15,966,236</u>                |  |                         |
| Held in trust for other governments                        |                                    | <u>(\$51,513,415)</u>                  |                         |

See accompanying notes to financial statements

CITY OF RICHMOND  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

|  | <u>Pension<br/>Trust<br/>Funds</u> | <u>Private-Purpose<br/>Trust Funds</u> |
|--|------------------------------------|--|
| <b>ADDITIONS</b>   |                                    |  |
| Property taxes   |                                    | \$17,206,306                           |
| Contributions from the City                              | \$1,445,345                        |  |
| Net investment income:                                   |                                    |  |
| Net increase (decrease) in the fair value of investments | 162,654                            |  |
| Interest income  | 312,215                            | 1,596,885                              |
| Investment management fees                               | (103,037)                          |  |
| Intergovernmental revenue                                |                                    | 12,682,972                             |
| Miscellaneous revenue                                    |                                    | 290,409                                |
|  | <u>1,817,177</u>                   | <u>31,776,572</u>                      |
| <b>DEDUCTIONS</b>  |                                    |  |
| Community development                                    |                                    | 13,630,179                             |
| Pension benefits   | 3,835,848                          |  |
| Payments in accordance with trust agreements             |                                    | 10,359,428                             |
| Payment to the County (Note 18A)                         |                                    | 4,067,242                              |
| Depreciation   |                                    | 12,369                                 |
| Interest and fiscal charges                              |                                    | 5,856,114                              |
|  | <u>3,835,848</u>                   | <u>33,925,332</u>                      |
| Change in net position                                   | (2,018,671)                        | (2,148,760)                            |
| <br>NET POSITION (DEFICIT), BEGINNING OF YEAR            | <br><u>17,984,907</u>              | <br><u>(49,364,655)</u>                |
| <br>NET POSITION (DEFICIT), END OF YEAR                  | <br><u><u>\$15,966,236</u></u>     | <br><u><u>(\$51,513,415)</u></u>       |

See accompanying notes to financial statements

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**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**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 joint powers financing authority, and a parking authority which is inactive.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

**A. PRIMARY GOVERNMENT**

The financial statements of the primary government of the City include the activities of the City as well as the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Parking Authority and the Richmond Surplus Property Authority all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units:**

**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.

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 24<sup>th</sup> 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 former 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.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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

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 the members of the City Council serve as the Board of Directors. 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, 450 Civic Center Plaza, Richmond, California 94804.

**Richmond Neighborhood Stabilization Corporation (RNSC)** – A California nonprofit public benefit Corporation formed in July 2009 by the City and the former Redevelopment Agency under the laws of the State of California. The Corporation was organized for the purpose of administering and operating the City's Neighborhood Stabilization Program (NSP), which includes purchasing, developing, financing, rehabilitating, land banking and/or demolishing blighted properties and foreclosed or abandoned properties utilizing the NSP funds or other public and private funding sources, and assisting the City and the Agency in providing affordable home ownership opportunities for households of low and moderate income by facilitating the financing necessary for the sale and resale of deed-restricted affordable ownership units to low and moderate income households at affordable costs, and other similar functions.

The Corporation is governed by a board of directors consisting of the City Manager, the Finance Director, and five other City and Housing Authority Directors. Although the RNSC is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the RNSC and members of the Board of Directors are appointed by City Council and the City has operational responsibility for the RNSC. The operations of the RNSC are included in the City's basic financial statements as a special revenue fund. Separate financial statements for the RNSC may be obtained by contacting the Office of Finance, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

**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 was reactivated in fiscal year 2011 to facilitate certain Port of Richmond transactions. The financial activities of the Authority are included in the Port of Richmond Enterprise Fund. Separate financial statements are not issued for the Authority.

**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.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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

**B. DISCRETELY PRESENTED COMPONENT UNIT**

**RHA Properties** – A joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA Properties and appoint members of the Board of Directors, however RHA Properties manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA Properties are discretely presented in the RHA Properties Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA Properties may be obtained by contacting the Richmond Housing Authority, 330 24<sup>th</sup> Street, Richmond, California 94804.

**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.

**A. 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, deferred outflows/inflows of resources, 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.

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows/inflows of resources and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents all the City’s revenues, expenses and other changes in Net Position. 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 Position 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.

**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 position as presented in these statements to the net position presented in the Government-Wide financial statements.

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

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

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

**Proprietary Fund Financial Statements** - Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 Position** - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position, and a Statement of Changes in Fiduciary Net Position. The City’s Fiduciary funds represent Pension Trust funds, Private-Purpose 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 and Private-Purpose Trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

**B. Major Funds**

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

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

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

**Cost Recovery Special Revenue Fund** – The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Community Development and Loan Programs Special Revenue Fund** – The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency, and activities related to the City’s loan from the California Department of Toxic Substances Control for the Miraflores Remediation project. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

**Environmental and Community Investment Agreement Special Revenue Fund** – The Environmental and Community Investment Agreement Special Revenue Fund accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

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

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

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

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

The City also reports the following fund types:

**Internal Service Funds.** The funds account for insurance reserves, equipment services and replacement and police telecommunications, all of which are provided to other departments on a cost-reimbursement basis.

**Trust Funds.** The Pension Trust Funds account for assets held by the City as an Agent for various functions. The General Pension, Police and Fireman’s and Garfield Pension Funds account for the accumulation of resources to be used for retiree pension payments at appropriate amounts and times in the future. The Pt. Molate Private-Purpose Trust Fund is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate as discussed in Note 17I. The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund was established as of February 1, 2012 to account for the activities of the Successor Agency to the former Richmond Community Redevelopment Agency as discussed in Note 18. The financial activities of the Trust Funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Agency Funds.** These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments, including special assessment districts within the City and non-public organizations. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**C. *Prepays and Supplies***

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

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

**D. *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 that have matured, while their long-term liabilities are recorded in the Statement of Net Position.

Changes in compensated absence liabilities for the fiscal year were as follows:

|                   | Governmental<br>Activities | Business-Type<br>Activities | Total        |
|-------------------|----------------------------|-----------------------------|--------------|
| Beginning Balance | \$12,492,317               | \$593,142                   | \$13,085,459 |
| Additions         | 30,527,050                 | 539,938                     | 31,066,988   |
| Payments          | (29,846,112)               | (596,654)                   | (30,442,766) |
| Ending Balance    | \$13,173,255               | \$536,426                   | \$13,709,681 |
| Current Portion   | \$6,150,047                | \$76,508                    | \$6,226,555  |

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.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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<br>50% on February 1                | July 1    |
| Delinquent as of     | December 10 (for November)<br>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.

**F. Expenditures in Excess of Appropriations**

The following funds incurred departmental expenditures in excess of appropriations.

| Fund/Department  | Excess of<br>Expenditures<br>Over<br>Appropriations |
|--|---|
| General Fund   |   |
| General Government   | \$2,148,611   |
| Debt Service- Principal                                      | 10,297  |
| Debt Service- Interest and Fiscal Charges                    | 257,158   |
| Community Development and Loan Programs Special Revenue Fund |   |
| Debt Service- Interest and Fiscal Charges                    | 2,849   |
| Civic Center Debt Service Fund                               |   |
| Debt Service- Interest and Fiscal Charges                    | 1,356,423   |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows of resources related to pensions as discussed in Notes 11 and 12.

In addition to liabilities, the statement of financial position or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: loans receivable, grants receivable and interest on interfund advances. See Note 9 for further discussion. The City also has deferred inflows of resources related to pensions as discussed in Notes 11 and 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**H. *Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding***

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it, called a deferred charge on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

**I. *Property Held for Resale***

Property held for resale is accounted for at the lower of cost or net realizable value or agreed upon sales price if a disposition agreement has been made with a developer.

The City received five properties for resale in fiscal year 2013 with a book value of \$573,822 from the acceptance of a deed in lieu of foreclosure on the property related to developer defaults on prior loans under the Richmond Neighborhood Stabilization loan program discussed in Note 5. These properties have since been rehabilitated during fiscal years 2014 and 2015 increasing the carrying value by a total of \$749,716 and \$39,303, respectively. In fiscal year 2014, the City received an additional four properties with a carrying value of \$648,238. As of June 30, 2015, total properties held for resale have a book value of \$2,011,079.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**K. New Fund**

The City established the Environmental and Community Investment Agreement Special Revenue Fund to account for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

**NOTE 3 - CASH AND INVESTMENTS**

**A. Investments and Cash Deposits**

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

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

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

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 \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. Cash, Cash Equivalents and Investments**

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

**C. Classification**

Cash and investments are classified in the financial statements as shown below at June 30, 2015:

|  |                                    |
|--|------------------------------------|
| Cash and investments   | \$49,422,661                       |
| Restricted cash and investments                              | <u>30,278,022</u>                  |
| <b>Total Primary Government cash and investments</b>         | <b>79,700,683</b>                  |
| Cash and investments in Fiduciary Funds (Separate Statement) |                                    |
| Cash and investments   | 7,367,122                          |
| Restricted cash and investments                              | 39,169,360                         |
| Investments in reassessment bonds                            | <u>12,377,500</u>                  |
| <b>Total Fiduciary Funds cash and investments</b>            | <b><u>58,913,982</u></b>           |
| <b>Total cash and investments</b>                            | <b><u><u>\$138,614,665</u></u></b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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

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

| Authorized Investment Type   | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|--|------------------|------------------------|---------------------------------|----------------------------------|
| U.S. Treasury Bills, Bonds and Notes   | 5 years          | A                      | 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                            | None                             |
| Commercial Paper   | 270 days         | A                      | 10% (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                            | \$50 Mil                         |
| Investment Trust of California (CalTrust)  | N/A              |                        | N/A                             | None                             |
| Collateralized Time Deposits   | 5 years          |                        | 30%                             | 10%                              |

(A): City may invest an additional 15% or a total of 20% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

***Prohibited Investments***

Under the City's Investment Policy, the City imposed restrictions on investments. The City cannot invest in any funds in inverse floaters, range notes, or interest only Separate Trading of Registered Interest and Principal of Securities (STRIPS) that are derived from a pool of mortgages. In any security that could result in zero interest accrual if held to maturity (other than money market mutual funds).

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**E. *Investments Authorized by the California Government Code and the Housing Authority's Investment Policy***

The California Government Code allows the Authority to invest in the following; provided approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

| <u>Authorized Investment Type</u>                               | <u>Maximum Maturity</u> | <u>Maximum Specified Percentage of Portfolio</u> | <u>Minimum Credit Quality</u> |
|---|-------------------------|--|-------------------------------|
| Local Agency Bonds  | 5 years                 | None   | None                          |
| U.S. Treasury obligations                                       | 5 years                 | None   | None                          |
| State of California obligations                                 | 5 years                 | None   | None                          |
| CA Local Agency obligations                                     | 5 years                 | None   | None                          |
| U.S. Agencies   | 5 years                 | None   | None                          |
| Banker's Acceptances  | 180 days                | 40%  | A1/P1                         |
| Commercial Paper - select agencies                              | 270 days                | 40%  | A1/P1                         |
| Commercial Paper - other agencies                               | 270 days                | 25%  | None                          |
| Negotiable Certificates of Deposit                              | 5 years                 | 30%  | None                          |
| Repurchase Agreements   | 1 year                  | None   | None                          |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days                 | 20%  | None                          |
| Medium Term Corporate Notes                                     | 5 years                 | 30%  | A                             |
| Mutual Funds  | N/A                     | 20%  | Multiple                      |
| Money Market Mutual Funds                                       | N/A                     | 20%  | Multiple                      |
| Collateralized Bank Deposits                                    | 5 years                 | None   | None                          |
| Mortgage Pass-Through Securities                                | 5 years                 | 20%  | AA                            |
| Time Deposits   | 5 years                 | None   | None                          |
| County Pooled Investment Funds                                  | N/A                     | None   | None                          |
| California Local Agency Investment Fund                         | N/A                     | None   | None                          |

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

**F. *Investments Authorized by Debt Issues and Lease Agreements***

Under the terms of the City's and Agency's and debt issues and lease agreements, the City and Agency and RHA Properties are 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 and Agency's funds. In addition, some bond indentures authorize investments in guaranteed investment contracts and investment agreements with maturity dates that coincide with the applicable debt maturities. At June 30, 2015, the City and Agency were in compliance with the terms of all these restrictions.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**G. 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<br>Less           | 13 to 24<br>Months | 25 to 60<br>Months | More than 60<br>months |                      |
| <b>Primary Government:</b>                            |                                |                    |                    |                        |                      |
| Federal Agency Securities                             | \$10,989,050                   | \$3,000,000        | \$2,994,510        |                        | \$16,983,560         |
| U.S. Treasury Notes                                   | 511,216                        |                    |                    |                        | 511,216              |
| California Local Agency Investment Fund               | 593,359                        |                    |                    |                        | 593,359              |
| CalTrust Short Term Fund                              | 18,429,070                     |                    |                    |                        | 18,429,070           |
| CalTrust Medium Term Fund                             | 80,680                         |                    |                    |                        | 80,680               |
| Certificates of Deposit- Negotiable                   | 702,743                        |                    | 749,125            |                        | 1,451,868            |
| Money Market Mutual Funds (U.S. Securities)           | 677,120                        |                    |                    |                        | 677,120              |
| Held by Trustee:                                      |                                |                    |                    |                        |                      |
| Money Market Mutual Funds (U.S. Securities)           | 59,150,391                     |                    |                    |                        | 59,150,391           |
| Investment Agreement                                  |                                |                    |                    | \$1,039,778            | 1,039,778            |
| Guaranteed Investment Contracts                       |                                |                    | 564,000            | 625,001                | 1,189,001            |
| Reassessment Bonds                                    | 1,007,500                      | 1,050,000          | 3,457,500          | 6,862,500              | 12,377,500           |
| <b>Total Investments</b>                              | <b>\$92,141,129</b>            | <b>\$4,050,000</b> | <b>\$7,765,135</b> | <b>\$8,527,279</b>     | <b>112,483,543</b>   |
| Cash in Banks and on hand - <i>Primary Government</i> |                                |                    |                    |                        | 26,131,122           |
| <b>Total Cash and Investments</b>                     |                                |                    |                    |                        | <b>\$138,614,665</b> |

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, 2015, these investments matured in an average of 239 days.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years and CalTrust's Medium-Term Fund has a target portfolio duration of 0 to 4 years. At June 30, 2015 the Short-Term Fund investments matured in an average of 489 days and the Medium-Term Fund investments matured in an average of 734 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2015 have an average maturity from 42 to 64 days.

**H. 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, 2015 for each investment type:

| Investment Type                             | AAAm                | AAf                 | AA+                 | Total                |
|---|---------------------|---------------------|---------------------|----------------------|
| Federal Agency Securities                   |                     |                     | \$16,983,560        | \$16,983,560         |
| Money Market Mutual Funds (U.S. Securities) | \$59,150,391        |                     |                     | 59,150,391           |
| CalTrust Short Term Fund                    |                     | \$18,429,070        |                     | 18,429,070           |
| Totals                                      | <u>\$59,150,391</u> | <u>\$18,429,070</u> | <u>\$16,983,560</u> | 94,563,021           |
| <i>Exempt From Rating:</i>                  |                     |                     |                     |                      |
| U.S. Treasury Notes                         |                     |                     |                     | 511,216              |
| <i>Not Rated:</i>                           |                     |                     |                     |                      |
| California Local Agency Investment Fund     |                     |                     |                     | 593,359              |
| Investment Agreement                        |                     |                     |                     | 1,039,778            |
| Guaranteed Investment Contracts             |                     |                     |                     | 1,189,001            |
| Certificates of Deposit - Negotiable        |                     |                     |                     | 1,451,868            |
| Money Market Mutual Funds (U.S. Securities) |                     |                     |                     | 677,120              |
| CalTrust Medium Term Fund                   |                     |                     |                     | 80,680               |
| Reassessment Bonds                          |                     |                     |                     | <u>12,377,500</u>    |
| <b>Total Investments</b>                    |                     |                     |                     | 112,483,543          |
| Cash in Banks and On Hand                   |                     |                     |                     | <u>26,131,122</u>    |
| <b>Total Cash and Investments</b>           |                     |                     |                     | <u>\$138,614,665</u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**I. Concentration of Credit Risk**

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Government-wide investments are as follows at June 30, 2015:

| Issuer                                 | Type of Investments       | Amount      |
|--|---------------------------|-------------|
| Federal National Mortgage Association  | Federal Agency Securities | \$5,994,510 |
| Federal Home Loan Mortgage Corporation | Federal Agency Securities | 4,997,300   |

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Fiduciary Funds at June 30, 2015 were as follows:

| Fiduciary Funds                | Issuer                | Type of Investment | Amount      |
|--------------------------------|-----------------------|--------------------|-------------|
| Agency Funds:                  |                       |                    |             |
| 2006 A&B Reassessment District | City of Richmond JPFA | Municipal Bonds    | \$8,742,500 |
| JPFA Reassessment              | City of Richmond JPFA | Municipal Bonds    | 3,635,000   |

**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, 2015 were as follows:

| Due From Other Funds  | Due To Other Funds  | Amount              |
|-----------------------|---|---------------------|
| Internal Service Fund | Cost Recovery Special Revenue Fund                              | \$8,527,374         |
|                       | Community Development and Loan Programs<br>Special Revenue Fund | 1,212,400           |
|                       | Richmond Housing Authority Enterprise Fund                      | 1,294,877           |
|                       | Port of Richmond Enterprise Fund                                | 3,005,157           |
|                       | Non Major Governmental Funds                                    | 3,476,855           |
|                       | Non Major Enterprise Fund                                       | 2,328,495           |
|                       | <b>Total</b>  | <b>\$19,845,158</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**B. Long-Term Interfund Advances**

At June 30, 2015 the funds below had made advances which were not expected to be repaid within the next year.

| Fund Receiving Advance                     | Fund Making Advance                     | Amount of Advance   |
|--|---|---------------------|
| Richmond Housing Authority Enterprise Fund | General Fund                            | \$700,000           |
|  | Community Development and Loan Programs |                     |
|  | Special Revenue Fund                    | 174,067             |
|  | Municipal Sewer Enterprise Fund         | 901,396             |
|  | Non Major Enterprise Fund               | 167,451             |
| Port of Richmond Enterprise Fund           | General Fund                            | 14,760,486          |
| Non Major Enterprise Fund                  | Internal Service Funds                  | 2,139,930           |
|  | <b>Total</b>                            | <b>\$18,843,330</b> |

In December 2014, the General Fund loaned \$700,000 to the Richmond Housing Authority Enterprise Fund for predevelopment costs related to the Triangle Court and Friendship Manor Rental Assistance Demonstration (RAD) Projects. The loan is secured by a leasehold deed of trust, assignment of rents and security agreement. The loan bears simple interest of 1% and the loan is repayable from residual receipts, as defined in the loan agreement, starting May 1 of the year after issuance of the Certificate of Completion, and unpaid principal and accrued interest is due December 17, 2069. In addition, the City has agreed to fund a construction loan of \$2.3 million, however no advances under this loan agreement were made as of June 30, 2015.

In fiscal 2007, the former Redevelopment Agency advanced \$174,067 to the Richmond Housing Authority Enterprise Fund, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The loan bears interest of 3%. In fiscal 2012, the advance receivable was transferred to the City as Housing Successor to the former Redevelopment Agency and is recorded in the Community Development and Loan Programs Special Revenue Fund.

In fiscal years 2007 through 2014, the General Fund, the Community Development and Loan Program Special Revenue Fund and the Municipal Sewer and Storm Sewer Enterprise Funds made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll. The advance repayment terms were amended in April 2010 and the advance bears no interest and was payable in 135 monthly installments of \$30,000 and one final installment of \$22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments \$50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of \$36,634. During fiscal year 2013, \$6,600,000 of the advance was assumed by RHA Properties and is classified as a loan receivable, as discussed in Note 5, and the remaining balance of the interfund advance as of June 30, 2015 is \$1,068,847.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

In fiscal 2006 the General Fund established repayment terms for its advance of \$17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance did not bear interest for the first three years; the next five years it bore an interest rate of 4%, with the balance payable on or before June 30, 2015. The advance repayment terms were amended in October 2013, effective June 30, 2013, to convert the accrued unpaid interest of \$745,119 to principal and reduce the advance balance by \$842,877, and the advance no longer bears interest. Annual principal payments of \$150,000 are due beginning June 30, 2014 through June 30, 2066, with a final principal payment of \$32,593 due on June 30, 2067, and in addition to those payments, the annual berthing cost of the vessel Red Oak Victory at the Port that is to be paid by the General Fund will instead offset and reduce the principal balance of the advance based on an established rental schedule. Historical rental payments from August 2004 to June 30, 2012 totaling \$842,877 were applied to the principal balance of the loan as of June 30, 2013. Another provision of the amended agreement provides that upon the sale of any Port property, including Terminal One and Terminal Four, the proceeds from the sale are to be used to repay and reduce the principal balance of the advance. The balance of the advance as of June 30, 2015 is \$14,760,486.

In fiscal 2008 the General Fund advanced \$1,758,342 to the Storm Sewer Enterprise Fund for the purpose of providing a clean storm sewer system and street sweeping activities. In fiscal year 2009 the advance was moved to the Insurance Reserves Internal Service Fund. The advance bears interest of 4.34% and is payable as follows: Semi-annual principal and interest payments in the amount of \$52,460 are to be made April 30 and December 31 of each year commencing in December 2009 until December 2038. The final interest payment of \$52,298 and the outstanding principal balance is due April 30, 2039. The Storm Sewer Enterprise Fund did not make the required payments during fiscal year 2015, therefore unpaid interest of \$73,491 was added to the balance of the loan. The balance of the advance and accrued interest as of June 30, 2015 is \$2,139,930.

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of the transfers is to move General Fund resources to provide an annual subsidy to the Cost Recovery Fund and other non-major governmental funds, as well fund debt service, pension costs and capital projects. Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

| Fund Receiving Transfers                     | Fund Making Transfers        | Amount Transferred  |
|--|------------------------------|---------------------|
| General Fund                                 | Non-Major Governmental Funds | \$3,606,974         |
|  | Non-Major Enterprise Funds   | 500,000             |
| Cost Recovery Fund                           | General Fund                 | 4,259,670           |
|  | Non-Major Enterprise Funds   | 100,000             |
| Community Development and Loan Programs Fund | General Fund                 | 714,293             |
| Non-Major Governmental Funds                 | General Fund                 | 1,566,198           |
|  | Non-Major Governmental Funds | 2,132,840           |
| Port of Richmond Enterprise Fund             | Non-Major Governmental Funds | 421,513             |
| Internal Service Funds                       | General Fund                 | 1,114,081           |
|  | Total Interfund Transfers    | <u>\$14,415,569</u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

None of these transfers were unusual or non-recurring in nature, except for the transfer from the Secured Pension Override Special Revenue Fund to the General Fund in the amount of \$1,729,780 to fund current year pension contributions to PERS, which is included in transfers from Non-Major Governmental Funds and the transfer from the General Fund to the Measure J Fund in the amount of \$39,352 to fund disallowed project costs.

**D. *Internal Balances***

Internal balances are presented in the Government-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**  
**For the Year Ended June 30, 2015**

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| <b>NOTE 5 - NOTES AND LOANS RECEIVABLE</b> |
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At June 30, 2015, notes and loans receivable consisted of the following:

|   | Amount       |
|---|--------------|
| <b>CalTrans Loan</b>  | \$590,903    |
| <b>Police Chief Loan</b>  | 67,849       |
| <b>East Bay Center for the Performing Arts</b>  | 750,000      |
| <b>Groundwork Richmond</b>  | 9,495        |
| <b>Richmond Neighborhood Stabilization Loans</b>  | 1,011,214    |
| <b>Community Development Block Grant, Home Investment Partnership Program, EDA and CALHome Loans:</b> |              |
| Mechanics Bank Loans  | 41,096       |
| Deferred Loans  | 5,004,260    |
| Home Improvement Program Loans  | 934,902      |
| Rental Rehabilitation Loans   | 335,832      |
| Infill Phase II Loan  | 927,888      |
| The Carquinez Project   | 148,490      |
| Creely Avenue Housing Rehabilitation Loan (Arbors)  | 1,952,468    |
| Lillie Mae Jones Project Loan   | 976,541      |
| Nevin Court Homeowner Development Project   | 343,839      |
| EDA Loans   | 310,571      |
| CALHome Program   | 1,794,934    |
| Miraflores Loan   | 1,208,258    |
| <b>Subtotal - CDBG, HOME, EDA and CALHome Loans</b>   | 13,979,079   |
| <b>Housing Successor Loans:</b>   |              |
| Rental Rehabilitation Loans   | 30,700       |
| The Carquinez Project   | 1,152,510    |
| Creely Avenue Housing Rehabilitation Loan (Arbors)  | 1,928,809    |
| Lillie Mae Jones Project Loan   | 2,343,365    |
| Miraflores Loan   | 91,000       |
| MacDonald Place Senior Housing  | 3,411,328    |
| Heritage Park Development   | 150,497      |
| Silent Second Mortgage Loans  | 1,989,161    |
| Chesley Avenue Mutual Housing Development   | 4,741,492    |
| Easter Hill Project   | 5,561,775    |
| <b>Subtotal - Housing Successor Loans</b>   | 21,400,637   |
| <b>RHA Properties Loans</b>   | 2,500,000    |
| <b>Total Notes and Loans Receivable</b>   | \$40,309,177 |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**CalTrans Loan**

The total of \$627,336 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.

**Police Chief Loan**

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

**Richmond Art Center Loan**

On June 5, 2012, the City approved a loan of \$161,200 to the Richmond Art Center to finance the salaries and benefits of the Art Center staff for May and June 2012. The loan is secured by the Art Center's assets via a promissory note. The loan bears no interest and is payable in five equal installments of \$32,240 starting May 31, 2013 and continuing on May 31<sup>st</sup> of each year with the final payment due on May 31, 2017. The remaining loan balance of \$96,720 was forgiven during the fiscal year ended June 30, 2015.

**East Bay Center for the Performing Arts**

On June 12, 2009 the former Redevelopment Agency entered into an agreement to loan \$2,500,000 to the East Bay Center (Center) for the Performing Arts to fund renovations to the Winters Building. The East Bay Center for the Performing Arts is a California nonprofit public benefit corporation that offers programs and training in theater, music and dance. The loan bore interest of 3% per year and repayments of accrued interest was due in quarterly installments. The Center made a payment of \$1,100,000 prior to January 31, 2012. Due to the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 18, the balance of the loan was evaluated and it was determined that although the Redevelopment Agency implemented and administered the loan, the Insurance Internal Service Fund had funded the loan via an interfund advance and therefore the interfund advance was repaid in fiscal year 2012 by transferring the loan receivable to the Insurance Internal Service Fund. The agreement with the Center was amended on June 27, 2012, to reduce the interest rate to 0% and extend the repayment of the remaining \$1,400,000 to June 30, 2016.

On February 18, 2014, the agreement was amended a second time to extend the maturity date of the loan to June 30, 2018 and to provide an annual grant from the City in the amount of \$200,000 for the next five years beginning in June 2014. The annual grant will be used to reduce the balance of the loan each fiscal year.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Groundwork Richmond**

On May 10, 2013 the City entered into an agreement to loan \$9,995 in cash flow assistance to Groundwork Richmond. Groundwork Richmond is a local non-profit organization dedicated to helping the City of Richmond reach its goals for improving the outdoor environment, and to engaging local residents in specific outdoor improvement projects. The loan bears interest of 1.42% and was due on December 31, 2013. The loan was amended in December 2014 to extend the repayment date to June 30, 2015 and the loan was again amended in December 2015 to extend the repayment date to June 30, 2017.

**Richmond Neighborhood Stabilization Loans**

The Richmond Neighborhood Stabilization Corporation (RNSC) operates a residential rehabilitation loan program financed by Department of Housing and Urban Development grants that have passed through the City under its Neighborhood Stabilization Program (NSP1) and additional allocation under the third round of funding referred to as (NSP3). The program provides affordable home ownership opportunities for households of low and moderate income by facilitating the development financing necessary for the purchase, rehabilitation, and resale of deed-restricted affordable ownership units. During the fiscal year 2014, the City foreclosed on seven of the loans with a carrying value of \$780,153 and reacquired the properties which have been recorded as property held for resale as discussed in Note 2I. As of June 30, 2015, the total balance of outstanding loans for NSP1 was \$1,011,214 and no NSP3 loans had been issued. Loans are payable upon the resale of improved properties.

**Mechanics Bank Loans**

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

**Deferred Loans**

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

**Home Improvement Program Loans**

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**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.

**Scattered Site Infill Housing Development (Infill Phase II)**

Under a loan agreement dated September 30, 2010, the City loaned Community Housing Development Corporation of North Richmond \$1,198,013 to fund construction of 36 townhomes to be made available for very-low and low income households. Funding for the loan was as follows: \$602,556 in HOME funds, \$266,000 in CDBG funds and \$329,457 in CDBG-R. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. The current funding was for predevelopment activities in conjunction with the construction and development of the townhomes. The loan is secured by a deed of trust on the property. The outstanding balance of the loan bears simple interest at the rate of 3% per year. The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2015, \$927,888 had been drawn down on the loan.

**The Carquinez Project**

Under a loan agreement dated November 14, 2008, the former Redevelopment Agency loaned Carquinez Associates, L.P. \$1,000,000 to fund rehabilitation of a five story building, with 36 apartments housing low-income seniors. On August 23, 2010 the agreement was amended to provide the Developer with a total amount of \$1,301,000. Funding for the loan is as follows: \$1,152,510 funded by Series 2007 Bonds and \$148,900 funded by CDBG. Repayments on the loan are to be made from residual receipts as defined in the agreement. The loan does not bear interest and the unpaid principal balance is due in November 2043. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Carquinez loan as of February 1, 2012.

**Creely Avenue Housing Rehabilitation (Arbors)**

On September 15, 2006, the former Redevelopment Agency and the City loaned Arbors Preservation Limited Partnership the amount of \$2,558,557, to construct extremely low, very low and low income rental housing units and a new community room on Creely Avenue. On October 31, 2008, the loan was amended to provide the developer a total loan amount of \$3,208,113. Funding for the loan is as follows: \$1,539,056 in HOME funds, \$75,000 in CDBG funds and \$1,594,057 in 2007 Series B bond funds. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on April 29, 2063. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Arbors loan as of February 1, 2012.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Lillie Mae Jones Project**

On January 19, 2010, the former Redevelopment Agency and the City entered into an agreement with Lillie Mae Jones Plaza, L.P. and the Community Housing Development Corporation of North Richmond to loan \$3,119,000 to construct and provide 26 housing units to very low and low income households. Funding for the loan is as follows: \$1,081,291 in HOME funds, \$84,000 in Section 108 funds and \$1,953,709 in 2007 Series B bonds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears an interest rate of 3% per year and repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest is due in January 2065. The agreement was amended in November 2011, due to securing a \$293,884 loan from County of Contra Costa with Mental Health Services Act, which specifies that two units are required to be available to and occupied by Mental Health Services Act Eligible Tenants pursuant to the County Regulatory Agreement with Lillie Mae Jones Plaza, L.P. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Lillie Mae Jones loan as of February 1, 2012. As of June 30, 2015, Lillie Mae Jones has drawn down \$3,111,038.

**Nevin Court Homeowner Development Project**

In May 2005, the City entered into an agreement with Community Housing and Development Corporation of North Richmond (Development), in the original amount of \$227,000 to construct and develop 10 single family homes for low and moderate income households. The agreement was amended in November 2008, to increase the loan to \$377,000. In fiscal year 2010, the Development drew down \$343,839. The loan bears interest of 3% per year and the unpaid balance is due in November 2063.

**EDA Loans**

The Agency'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. With the dissolution of the Redevelopment Agency as discussed in Note 18, the EDA loan program that was funded with grant funds from the Economic Development Administration is now administered by the City effective February 1, 2012.

**CALHome Program**

The CALHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. With the dissolution of the Redevelopment Agency as discussed in Note 18, the CALHome loan program that was funded with grant funds is now administered by the City effective February 1, 2012.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Miraflores Loan**

Under an amended loan agreement dated June 21, 2011, the City agreed to loan Community Housing Development Corporation of North Richmond and Eden Housing, Inc., \$1,465,000 to fund the construction of 110 senior housing units for low and moderate income residents. Funding for the loan is as follows: \$449,000 in CDBG funds, \$925,000 in HOME funds, and \$91,000 Redevelopment Agency Low and Moderate Income Housing Fund funds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. With the dissolution of the Redevelopment Agency as discussed in Note 18, the portion of the Miraflores loan that was funded by the Redevelopment Agency's Low and Moderate Income Housing Fund was assumed by the City as Housing Successor. The loan does not bear interest and the unpaid principal balance is due September 22, 2015. As of June 30, 2015, \$1,299,258 of the loan had been drawn down.

**Housing Successor Loans**

With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of certain loans discussed above and all of the loans below as of February 1, 2012.

**MacDonald Place Senior Housing**

On June 26, 2007, the former Redevelopment Agency agreed to loan MacDonald Housing Partners, L.P., and Richmond Labor and Love Community Development Corporation the amount of \$4,720,000, to construct senior housing units, a management office, small meeting rooms and ancillary retail use, and a separate space for community services. The loan's principal is due 57 years from the date of disbursement. The loan bears simple of interest of 2% per year payable from any residual receipts available from the prior calendar year with an additional 1% per year, but only to the extent that funds are available to pay such contingent interest from the Agency's share of residual receipts, as defined in the agreement.

**Atchison Village Annex Apartments**

In 1998, the former 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 of principal and interest are payable in equal monthly payments of \$2,651.

In 2006, the former Redevelopment Agency made two additional loans to Atchison Village Associates, LP, of \$44,000 and \$100,000, collateralized by a deed of trust to finance the rehabilitation of low- and moderate-income housing. The loans bear no interest and the entire principle is due in 25 years. During the fiscal year ended June 30, 2015 all three of the loans were fully repaid.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Heritage Park Development**

In 1999, the former 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 former 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.

**Easter Hill Project**

The loan from the former Redevelopment Agency to Easter Hill Development, L.P. is providing financial assistance in the development of the Easter Hill Project. The Easter Hill Project consists of single and multifamily home components. Easter Hill Development, L.P. shall use the loan to pay for predevelopment, acquisition and construction costs. The outstanding balance of the loan bears simple interest at the rate of 2% per year. Repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest on the loan is due February 1, 2069.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**RHA Properties Loans**

In fiscal years 2007 through 2014, the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal year 2013, which is now classified as a loan receivable.

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than \$2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than \$6,600,000 upon disposition of Westridge at Hilltop Apartments by RHA Properties. Using the proceeds from the sale of Westridge at Hilltop Apartments, RHA Properties paid back to the City \$7,717,728 of assumed debt during the fiscal year 2013-2014. Included in the repayment was the OIG Sanction debt of the \$2,257,799, was fully repaid as of June 30, 2014.

As of June 30, 2014, the Housing Authority had invested \$1,000,000 in start-up contributions and had advanced \$966,183 to RHA Properties, which was used for debt service and operating expenses. The entire amount was repaid by RHA Properties from the proceeds of the disposition of the Westridge at Hilltop Apartments.

At June 30, 2014, total debt owed to the City of Richmond by the Authority was \$3,687,450, out of which \$2,500,000 was assumed by RHA Properties on behalf of the Authority, \$1,187,450 remained with the Authority, which is included in the long term interfund advances in Note 4B.

Included in the \$2,500,000 assumed by the RHA Properties was \$1,359,929 of new debt owed by the Authority to the City of Richmond, which represented retroactive charges the City of Richmond billed during fiscal year 2013-2014 for the services the City had provided to the Authority prior to fiscal year 2013-2014. The entire amount of debt assumed by the RHA Properties is expected to be repaid off from a \$2,500,000 repair reserve fund held in an escrow account from the sale of Westridge. Management expects that this fund will be released to RHA Properties in fiscal year 2016.

The total balance of the General Fund loan receivable from RHA Properties as of June 30, 2015 is \$2,500,000.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 6 - CAPITAL ASSETS**

**A. Policies**

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. The City's policy is to capitalize assets costing at least \$5,000, and the Housing Authority's policy is to capitalize assets costing at least \$1,000. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

|                                     |               |
|-------------------------------------|---------------|
| Improvements other than buildings   | 20 years      |
| Buildings and building improvements | 20 - 50 years |
| Vehicles                            | 3 - 10 years  |
| Infrastructure                      | 25 - 50 years |
| Machinery and equipment             | 3 - 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. In the case of the initial capitalization of general infrastructure assets reported by governmental activities, the City chose to include all such items regardless of their acquisition date or amount.

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**  
**For the Year Ended June 30, 2015**

**NOTE 6 - CAPITAL ASSETS (Continued)**

**B. Current Year Activity**

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

|  | Balance at<br>June 30, 2014 | Additions           | Retirements          | Transfers           | Balance at<br>June 30, 2015 |
|--|-----------------------------|---------------------|----------------------|---------------------|-----------------------------|
| <b>Governmental activities</b>             |                             |                     |                      |                     |                             |
| Capital assets not being depreciated:      |                             |                     |                      |                     |                             |
| Land                                       | \$14,428,675                |                     |                      |                     | \$14,428,675                |
| Construction in progress                   | 64,261,716                  | \$18,635,994        | (\$1,155,192)        | (\$25,347,604)      | 56,394,914                  |
| Total capital assets not being depreciated | <u>78,690,391</u>           | <u>18,635,994</u>   | <u>(1,155,192)</u>   | <u>(25,347,604)</u> | <u>70,823,589</u>           |
| Capital assets being depreciated:          |                             |                     |                      |                     |                             |
| Buildings and improvements                 | 151,291,694                 |                     |                      |                     | 151,291,694                 |
| Machinery and equipment                    | 44,020,909                  | 1,094,361           | (1,739,091)          | 172,262             | 43,548,441                  |
| Land improvements and infrastructure       | 433,464,053                 |                     |                      | 25,175,342          | 458,639,395                 |
| Total capital assets being depreciated     | <u>628,776,656</u>          | <u>1,094,361</u>    | <u>(1,739,091)</u>   | <u>25,347,604</u>   | <u>653,479,530</u>          |
| Less accumulated depreciation for:         |                             |                     |                      |                     |                             |
| Buildings and improvements                 | (27,067,756)                | (3,317,970)         |                      |                     | (30,385,726)                |
| Machinery and equipment                    | (29,705,409)                | (3,259,222)         | 1,658,036            |                     | (31,306,595)                |
| Land improvements and infrastructure       | (340,716,719)               | (13,536,207)        |                      |                     | (354,252,926)               |
| Total accumulated depreciation             | <u>(397,489,884)</u>        | <u>(20,113,399)</u> | <u>1,658,036</u>     |                     | <u>(415,945,247)</u>        |
| Capital asset being depreciated, net       | <u>231,286,772</u>          | <u>(19,019,038)</u> | <u>(81,055)</u>      | <u>25,347,604</u>   | <u>237,534,283</u>          |
| Governmental activity capital assets, net  | <u>\$309,977,163</u>        | <u>(\$383,044)</u>  | <u>(\$1,236,247)</u> |                     | <u>\$308,357,872</u>        |

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2015 were as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| <b>Governmental Activities</b>       |                     |
| General Government                   | \$3,510,625         |
| Public Safety                        | 1,011,073           |
| Public Services                      | 13,342,330          |
| Community Development                | 5,087               |
| Cultural and Recreational            | 170,733             |
| Internal Service Funds               | 2,073,551           |
| <b>Total Governmental Activities</b> | <u>\$20,113,399</u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

|  | Balance at<br>June 30, 2014 | Additions          | Retirements      | Transfers          | Balance at<br>June 30, 2015 |
|--|-----------------------------|--------------------|------------------|--------------------|-----------------------------|
| <i>Business-type activities</i>            |                             |                    |                  |                    |                             |
| Capital assets not being depreciated:      |                             |                    |                  |                    |                             |
| Land                                       | \$8,231,777                 |                    |                  |                    | \$8,231,777                 |
| Construction in progress                   | 12,765,510                  | \$17,110,551       |                  | (\$1,298,919)      | 28,577,142                  |
| Total capital assets not being depreciated | <u>20,997,287</u>           | <u>17,110,551</u>  |                  | <u>(1,298,919)</u> | <u>36,808,919</u>           |
| Capital assets being depreciated:          |                             |                    |                  |                    |                             |
| Buildings and improvements                 | 94,108,075                  | 484,123            |                  | (10,253)           | 94,581,945                  |
| Machinery and equipment                    | 17,764,112                  |                    | (\$490,467)      |                    | 17,273,645                  |
| Infrastructure                             | 197,938,314                 |                    |                  | 1,309,172          | 199,247,486                 |
| Total capital assets being depreciated     | <u>309,810,501</u>          | <u>484,123</u>     | <u>(490,467)</u> | <u>1,298,919</u>   | <u>311,103,076</u>          |
| Less accumulated depreciation for:         |                             |                    |                  |                    |                             |
| Buildings and improvements                 | (52,437,454)                | (2,834,604)        |                  |                    | (55,272,058)                |
| Machinery and equipment                    | (11,546,137)                | (816,434)          | 490,467          |                    | (11,872,104)                |
| Infrastructure                             | (86,037,820)                | (4,926,626)        |                  |                    | (90,964,446)                |
| Total accumulated depreciation             | <u>(150,021,411)</u>        | <u>(8,577,664)</u> | <u>\$490,467</u> |                    | <u>(158,108,608)</u>        |
| Capital asset being depreciated, net       | <u>159,789,090</u>          | <u>(8,093,541)</u> |                  | <u>1,298,919</u>   | <u>152,994,468</u>          |
| Business-type activity capital assets, net | <u>\$180,786,377</u>        | <u>\$9,017,010</u> |                  |                    | <u>\$189,803,387</u>        |

Business-type activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2015 were as follows:

| <b>Business-Type Activities</b>       |                    |
|---------------------------------------|--------------------|
| Richmond Housing Authority            | \$2,421,400        |
| Port of Richmond                      | 3,476,105          |
| Municipal Sewer                       | 1,642,065          |
| Richmond Marina                       | 85,196             |
| Storm Sewer                           | 929,867            |
| Cable TV                              | 23,031             |
| <b>Total Business-Type Activities</b> | <u>\$8,577,664</u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 7 – NOTES PAYABLE**

**2014-2015 Tax and Revenue Anticipation Notes**

On November 20, 2014, the City issued 2014-2015 Tax and Revenue Anticipation Notes, Series A in the amount of \$16,000,000. The proceeds from the Note were used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending June 30, 2015. The note bore an interest rate of 1%. The Note was repaid on June 30, 2015.

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS**

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

Bond premiums and discounts 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 expensed in the year incurred.

**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.

**A. Governmental Activities**

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2015:

|                | Balance<br>July 01, 2014 | Additions (A)       | Deletions            | Balance<br>June 30, 2015 | Due Within<br>One Year | Due in More<br>than One Year |
|----------------|--------------------------|---------------------|----------------------|--------------------------|------------------------|------------------------------|
| Bonds payable  | \$244,677,169            | \$4,594,055         | (\$5,658,000)        | \$243,613,224            | \$8,003,545            | \$235,609,679                |
| Loans payable  | 2,631,887                | 11,204,840          | (865,914)            | 12,970,813               | 137,941                | 12,832,872                   |
| Capital leases | 11,186,685               |                     | (1,891,562)          | 9,295,123                | 1,350,232              | 7,944,891                    |
| <b>Total</b>   | <u>\$258,495,741</u>     | <u>\$15,798,895</u> | <u>(\$8,415,476)</u> | <u>\$265,879,160</u>     | <u>\$9,491,718</u>     | <u>\$256,387,442</u>         |

(A) Additions to bonds payable include bond accretion for capital appreciation bonds totaling \$4,594,055. Additions to loans payable include new loans payable in the amount of \$11,204,840. Of that amount \$515,257 is related to new loans and \$10,659,909 is related to a new embedded loan from the interest rate swaption and its associated interest accrual in the amount of \$29,404.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)**

**Bonds Payable**

Bonds payable at June 30, 2015 consisted of the following:

|   | Net                  |
|---|----------------------|
| Pension Obligation Bonds - 1999 Series A  | \$11,205,000         |
| Pension Funding Bond Series 2005          | 145,286,679          |
| JPFA Lease Revenue Refunding Bonds - 2009 | 87,121,545           |
| <b>Total</b>                              | <b>\$243,613,224</b> |

**1999 Series A 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 City’s pension plans 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. 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. Principal and interest paid for the current fiscal year and total pension tax override revenues were \$2,084,978 and \$4,584,426, respectively.

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

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$1,625,000         | \$788,430          | \$2,413,430         |
| 2017                             | 1,570,000           | 667,499            | 2,237,499           |
| 2018                             | 1,520,000           | 550,543            | 2,070,543           |
| 2019                             | 1,375,000           | 440,967            | 1,815,967           |
| 2020                             | 885,000             | 355,426            | 1,240,426           |
| 2021-2025                        | 3,120,000           | 952,302            | 4,072,302           |
| 2026-2030                        | 1,110,000           | 154,308            | 1,264,308           |
| <b>Total</b>                     | <b>\$11,205,000</b> | <b>\$3,909,475</b> | <b>\$15,114,475</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

These Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees’ Retirement System (See Note 11). The Bonds consist of three series as shown below:

| Bond Type & Series  | Initial Interest Rate | Less: Credit Adjustment | Adjusted Interest Rate | Maturity Date | Original Principal Amount | Index Rate Conversion Data |                                   |                         |
|---|-----------------------|-------------------------|------------------------|---------------|---------------------------|----------------------------|-----------------------------------|-------------------------|
|   |                       |                         |                        |               |                           | Full Accretion Date        | Adjusted Subsequent Interest Rate | Adjusted Maturity Value |
| Current Interest - 2005A  | 5.9350%               | -0.1000%                | 5.8350%                | 8/1/13        | \$26,530,000              | n/a                        | n/a                               | n/a                     |
| Convertible Auction Rate Securities, Capital Appreciation Bonds - |                       |                         |                        |               |                           |                            |                                   |                         |
| 2005B-1   | 6.2550%               | -0.1000%                | 6.1550%                | 8/1/23        | 47,061,960                | 8/1/13                     | 1 month LIBOR + 1.4%              | \$70,750,000            |
| 2005B-2   | 6.5650%               | -0.1000%                | 6.4650%                | 8/1/34        | 41,403,173                | 8/1/23                     | 1 month LIBOR + 1.4%              | 127,968,000             |
|   |                       |                         |                        |               | <u>\$114,995,133</u>      |                            |                                   | <u>\$198,718,000</u>    |

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

*Current Interest Bonds* - The Series 2005A Bonds were fully repaid during fiscal year 2015.

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

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

*Optional Auction Rate Conversion* – On the respective Full Accretion Date, the 2005B-1 and the 2005B-2 Bonds may be converted to Auction Rate Bonds provided that certain conversion requirements are met. Auction rates fluctuate according to the market conditions is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate. The Series 2005B-1 Bonds did not convert to auction rate bonds, and were instead converted to index rate bonds, as discussed above.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Swap Agreements - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds. The interest rate swap related to the 2005B-1 Bonds became effective August 1, 2013 while the 2005B-2 Bonds does not become effective until August 1, 2023, in the same amount as the outstanding principal balances of the Bonds on that date. The combination of the variable rate bonds and a floating swap rate will create synthetic fixed-rate debt for the City. The synthetic fixed rate for the 2005B-1 Bonds was 7.015% at June 30, 2015. Because neither the variable rate nor the swap rates are effective for the 2005B-2 Bonds as of June 30, 2015 the initial bond interest rates discussed above are used for disclosure purposes.

At June 30, 2015, the Bonds consisted of the following:

|                            | Maturity Value | Accretion/<br>Amortization | Unamortized<br>Premium<br>(Discount) | Net           |
|----------------------------|----------------|----------------------------|--------------------------------------|---------------|
| Capital appreciation bonds | \$198,718,000  | \$4,594,055                | (\$58,025,376)                       | \$145,286,679 |

The annual debt service requirements are as follows:

| For the Years<br>Ending June 30, | Principal            | Interest            | Total                |
|----------------------------------|----------------------|---------------------|----------------------|
| 2016                             | \$4,692,000          | \$6,690,975         | \$11,382,975         |
| 2017                             | 5,660,000            | 6,299,574           | 11,959,574           |
| 2018                             | 6,653,000            | 5,838,657           | 12,491,657           |
| 2019                             | 7,720,000            | 5,303,322           | 13,023,322           |
| 2020                             | 8,366,000            | 4,720,206           | 13,086,206           |
| 2021-2025                        | 44,125,000           | 13,949,764          | 58,074,764           |
| 2026-2030                        | 44,228,000           | 7,747,022           | 51,975,022           |
| 2031-2035                        | 77,274,000           | 2,849,441           | 80,123,441           |
| <b>Total</b>                     | <b>\$198,718,000</b> | <b>\$53,398,961</b> | <b>\$252,116,961</b> |

**Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Original Issue - \$89,795,000**

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of \$89,795,000. The proceeds from the Bonds were used to refund and retire the outstanding principal amount of the Authority's 2007 Lease Revenue Bonds. The 2007 Bonds were used to finance a portion of the costs of the new Civic Center Project, and to refund a portion of the 1995A Joint Powers Financing Authority Revenue Refunding Bonds and the remaining principal amount of the 2001A Joint Powers Financing Authority Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining 1996 Port Terminal Lease Revenue Bonds. The 1995 A Bonds were called in November 2007 and the 2001 A Bonds were called in February 2011.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The Series 2009 Bonds in the principal amount of \$87,121,545 have been recorded as governmental activities debt, and \$113,455 has been recorded as business-type activities as discussed in Note 8B below.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2038 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for \$101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for \$85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments are due semi-annually on August 1 and February 1 commencing on February 1, 2010.

The annual debt service requirements are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest            | Total                |
|----------------------------------|---------------------|---------------------|----------------------|
| 2016                             | \$1,686,545         | \$5,297,431         | \$6,983,976          |
| 2017                             | 1,880,000           | 5,214,316           | 7,094,316            |
| 2018                             | 1,970,000           | 5,115,233           | 7,085,233            |
| 2019                             | 2,080,000           | 5,006,154           | 7,086,154            |
| 2020                             | 2,190,000           | 4,891,022           | 7,081,022            |
| 2021-2025                        | 12,995,000          | 22,353,665          | 35,348,665           |
| 2026-2030                        | 17,580,000          | 17,643,372          | 35,223,372           |
| 2031-2035                        | 26,435,000          | 10,768,941          | 37,203,941           |
| 2036-2038                        | 20,305,000          | 1,943,095           | 22,248,095           |
| <b>Total</b>                     | <b>\$87,121,545</b> | <b>\$78,233,229</b> | <b>\$165,354,774</b> |

***Interest Rate Swap and Swaption Agreements***

The City entered into interest swap agreements in connection with the 2005B-1 Taxable Pension Funding Bonds and the 2009 Lease Revenue Refunding Bonds. The transaction allows the City to create a synthetic fixed rate or a synthetic variable rate on the Bonds, protecting it against increases and decreases in short-term interest rates. The various risks associated with the swap agreements are disclosed below. For the swap agreement pertaining to the 2005B-2 Taxable Pension Funding Bonds, the disclosure is included below, but the swap agreement does not become effective until August 1, 2023.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The City entered into an option on swap agreement (swaption) in connection with the anticipated refunding of the 2009 Lease Revenue Refunding Bonds. See further discussion of the swaption in the loans payable section of Note 8A below.

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2015, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

**Pay-Fixed, Receive-Variable Swap and Swaption Agreements**

For the following Pay-Fixed, Receive-Variable swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swaps. In return, the counterparty owes the City interest based on a variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

| Notional<br>Amount                               | Effective<br>Date | Counterparty                | Long-Term<br>Credit Rating<br>(S&P/Moody's/Fitch) | Fixed<br>Rate<br>Paid | Variable<br>Rate<br>Received  | Fair Value at<br>June 30, 2015 | Termination<br>Date |
|--|-------------------|-----------------------------|---|-----------------------|-------------------------------|--------------------------------|---------------------|
| <i>2005B-1 Taxable Pension Funding Bonds</i>     |                   |                             |   |                       |                               |                                |                     |
| \$75,218,000                                     | 8/1/2013          | JPMorgan Chase<br>Bank N.A. | A+/Aa2/AA-  | 5.712%                | 100% of USD- 3<br>Month LIBOR | (\$13,316,000)                 | 8/1/2023            |
| <i>2005B-2 Taxable Pension Funding Bonds</i>     |                   |                             |   |                       |                               |                                |                     |
| \$127,990,254                                    | 8/1/2023          | JPMorgan Chase<br>Bank N.A. | A+/Aa2/AA-  | 5.730%                | 100% of USD-3<br>Month LIBOR  | (\$15,364,000)                 | 8/1/2034            |
| <i>Civic Center Refunding Swaption Agreement</i> |                   |                             |   |                       |                               |                                |                     |
| \$77,315,000                                     | 8/1/2019          | Royal Bank of<br>Canada     | AA-/Aa3/AA  | 4.800%                | 80% of USD-3<br>Month LIBOR   | (\$3,512,877)                  | 8/1/2037            |

**Pay Variable, Receive Variable Swap Agreement**

The City entered into a Pay-Variable, Receive-Variable swap agreement related to the 2009 Lease Revenue Refunding Bonds under which the City owes interest calculated at a variable rate to the counterparty of the swap and in return, the counterparty owes the City interest based on a variable rate. Debt principal is not exchanged; it or the outstanding notional amount, depending on the terms of the swap, are the basis on which the swap receipts and payments are calculated.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

| Outstanding<br>Notional<br>Amount         | Effective<br>Date | Counterparty            | Long-Term<br>Credit Rating<br>(S&P/Moody's/Fitch) | Variable<br>Rate<br>Paid                    | Variable<br>Rate<br>Received | Fair Value at<br>June 30, 2015 | Termination<br>Date |
|---|-------------------|-------------------------|---|---|------------------------------|--------------------------------|---------------------|
| <i>2009 Lease Revenue Refunding Bonds</i> |                   |                         |   |   |                              |                                |                     |
| \$82,800,000                              | 12/1/2009         | Royal Bank of<br>Canada | AA-/Aa3/AA  | 100% of<br>SIFMA<br>Municipal<br>Swap Index | 68% of USD-1<br>Month LIBOR  | (\$9,456,000)                  | 8/1/2037            |

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swaps, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.

As of June 30, 2015, the fair value for the each of the outstanding swaps was in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the ineffective hedges as noted below:

|  | Changes in Fair Value |                      | Fair value at June 30, 2015 |                       |
|--|-----------------------|----------------------|-----------------------------|-----------------------|
|  | Classification        | Amount               | Classification              | Amount                |
| <i>Governmental Activities</i>                   |                       |                      |                             |                       |
| <b>Pay-Fixed, Receive-Variable</b>               |                       |                      |                             |                       |
| <i>2005B-1 Taxable Pension Funding Bonds</i>     | Investment revenue    | \$1,280,000          | Investment                  | (\$13,316,000)        |
| <i>2005B-2 Taxable Pension Funding Bonds</i>     | Investment revenue    | (5,040,600)          | Investment                  | (15,364,000)          |
| <i>Civic Center Refunding Swaption Agreement</i> | Investment revenue    | (3,512,877)          | Investment                  | (3,512,877)           |
| <b>Pay-Variable, Receive-Variable</b>            |                       |                      |                             |                       |
| <i>2009 Lease Revenue Refunding Bonds</i>        | Investment revenue    | 2,150,756            | Investment                  | (9,456,000)           |
| <b>Totals</b>                                    |                       | <u>(\$5,122,721)</u> |                             | <u>(\$41,648,877)</u> |

*Credit risk.* The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2015, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if interest rates change and the fair value of the swaps were to become positive, the City would be exposed to credit risk.

*Interest rate risk.* The City will be exposed to interest rate risk for the Pay-Fixed, Receive-Variable swaps only if the counterparty to the swaps defaults or if the swaps are terminated. The Pay-Variable, Receive-Variable swaps increase the City's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the City's net payment on the swap increases.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the Pay-Fixed, Receive-Variable swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparties to the swap contracts default or if the swap contracts are terminated. A termination of the swap contracts may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swaps have a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2015, debt service requirements of the City's outstanding fixed rate 2009 Lease Revenue Refunding Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-2 Bond is not included in the tables, because the swap is not effective until August 1, 2023, and the Civic Center Refunding Swaption is not included because the associated swap is not effective until August 1, 2019. As rates vary, net swap payments will vary. The payments below for the 2009 Bonds and the 2005 Pension Bonds are included in the Debt Service Requirements above:

**2009 Lease Revenue Refunding Bonds**

| For the Years<br>Ending June 30, | Fixed-Rate Bonds    |                     | Interest Rate      | Total                |
|----------------------------------|---------------------|---------------------|--------------------|----------------------|
|                                  | Principal           | Interest            | Swap, Net          |                      |
| 2016                             | \$1,800,000         | \$4,891,038         | \$408,662          | \$7,099,700          |
| 2017                             | 1,880,000           | 4,815,088           | 399,228            | 7,094,316            |
| 2018                             | 1,970,000           | 4,725,888           | 389,345            | 7,085,233            |
| 2019                             | 2,080,000           | 4,627,238           | 378,916            | 7,086,154            |
| 2020                             | 2,190,000           | 4,523,088           | 367,934            | 7,081,022            |
| 2021-2025                        | 12,995,000          | 20,701,933          | 1,651,732          | 35,348,665           |
| 2026-2030                        | 17,580,000          | 16,380,626          | 1,262,746          | 35,223,372           |
| 2031-2035                        | 26,435,000          | 10,040,228          | 728,713            | 37,203,941           |
| 2036-2038                        | 20,305,000          | 1,839,022           | 104,073            | 22,248,095           |
| <b>Total</b>                     | <b>\$87,235,000</b> | <b>\$72,544,149</b> | <b>\$5,691,349</b> | <b>\$165,470,498</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*2005 Taxable Pension Funding Bonds*

| For the Years<br>Ending June 30, | Variable-Rate Bonds  |                     | Interest Rate<br>Swap, Net (A) | Total                |
|----------------------------------|----------------------|---------------------|--------------------------------|----------------------|
|                                  | Principal            | Interest            |                                |                      |
| 2016                             | \$4,692,000          | \$3,083,259         | \$4,440,425                    | \$12,215,684         |
| 2017                             | 5,660,000            | 2,994,777           | 3,607,716                      | 12,262,493           |
| 2018                             | 6,653,000            | 2,890,579           | 3,304,797                      | 12,848,376           |
| 2019                             | 7,720,000            | 2,769,558           | 2,948,078                      | 13,437,636           |
| 2020                             | 8,366,000            | 2,637,735           | 2,533,764                      | 13,537,499           |
| 2021-2025                        | 44,125,000           | 10,934,100          | 3,015,664                      | 58,074,764           |
| 2026-2030                        | 44,228,000           | 7,747,022           |                                | 51,975,022           |
| 2031-2035                        | 77,274,000           | 2,849,441           |                                | 80,123,441           |
| <b>Total</b>                     | <b>\$198,718,000</b> | <b>\$35,906,471</b> | <b>\$19,850,444</b>            | <b>\$254,474,915</b> |

(A) Includes only the 2005 B-1 because the 2005 B-2 is not effective until August 1, 2023

**Loans Payable**

Loans payable at June 30, 2015 consisted of the following:

|  |                     |
|--|---------------------|
| CalTrans Home Loans                    | \$499,589           |
| California Energy Commission Loan #1   | 542,875             |
| California Energy Commission Loan #2   | 1,239,036           |
| Interest Rate Swaption - Embedded Loan | 10,689,313          |
|  | <u>\$12,970,813</u> |

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**California Energy Commission Phase 1 – Original Amount \$621,558**

On April 22, 2013, the City entered into a loan agreement with the California Energy Commission in the amount of \$621,558. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears a 3% interest rate and is due in semi-annual payments in December and June through December 2025.

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

| For the Years<br>Ending June 30, | Principal        | Interest        | Total            |
|----------------------------------|------------------|-----------------|------------------|
| 2016                             | \$44,668         | \$15,997        | \$60,665         |
| 2017                             | 46,061           | 14,605          | 60,666           |
| 2018                             | 47,453           | 13,213          | 60,666           |
| 2019                             | 48,888           | 11,778          | 60,666           |
| 2020                             | 50,338           | 10,328          | 60,666           |
| 2021-2025                        | 275,586          | 27,741          | 303,327          |
| 2025-2026                        | 29,881           | 449             | 30,330           |
| <b>Total</b>                     | <b>\$542,875</b> | <b>\$94,111</b> | <b>\$636,986</b> |

**California Energy Commission Phase 2 – Original Amount \$1,239,036**

During fiscal year 2015, the City entered into a loan agreement with the California Energy Commission in the amount of \$1,239,036. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears interest at 1% and is due in semi-annual payments in December and June through June 2030.

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

| For the Years<br>Ending June 30, | Principal          | Interest         | Total              |
|----------------------------------|--------------------|------------------|--------------------|
| 2016                             | \$70,757           | \$18,881         | \$89,638           |
| 2017                             | 78,150             | 11,488           | 89,638             |
| 2018                             | 78,933             | 10,705           | 89,638             |
| 2019                             | 79,724             | 9,914            | 89,638             |
| 2020                             | 80,499             | 9,139            | 89,638             |
| 2021-2025                        | 414,873            | 33,318           | 448,191            |
| 2026-2030                        | 436,100            | 12,092           | 448,192            |
| <b>Total</b>                     | <b>\$1,239,036</b> | <b>\$105,537</b> | <b>\$1,344,573</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Department of Toxic Substances Loan – Original Amount \$800,000**

On November 6, 2013, the City entered into a loan agreement with the State of California Department of Toxic Substances Control in the amount of \$800,000. The purpose of the loan is to cover the costs of additional cleanup activities for a site located at 47th Street and Wall Avenue. The loan bears interest at 3.250% and interest is payable on a quarterly basis beginning in February 2014 with the full amount of the principal and interest due on March 1, 2019, however, the loan balance was fully repaid during the year ended June 30, 2015.

***Option on Interest Rate Swap Agreement (Swaption)***

On July 9, 2014 the Richmond Joint Powers Financing Authority entered into an option to enter a swap at a future date (swaption) agreement with the Royal Bank of Canada (RBC). The swaption counterparty, RBC, is the holder of the option and has the right, but not the obligation, to place the City into a pay-fixed, receive variable swap in the future. Upon entering into the swaption, the City receives an up-front payment from RBC. The majority of the payment is a result of the option being in-the-money at inception, which means the written option has intrinsic value as the swaption's fixed rate is greater than the at-the-market rate. The remainder of the up-front payment reflects the time value that RBC pays for holding the option. To the City, the time value portion of the payment represents deferred investment revenue. This transaction is reported as a hybrid instrument. The intrinsic value of the swaption is considered a borrowing for financial reporting purposes and is treated as a liability or loan payable in the government-wide financial statements. Interest is accreted to the balance of the liability from inception through the swaption's exercise date. Thereafter, assuming the swaption is exercised, there are level amortization payments attributed to the borrowing. The other element of the hybrid instrument is measured at fair value. Fair value changes are reported within the investment revenue classification as noted in the Interest Rate Swaps section above.

The City entered into the swaption to effect a refunding of the Richmond Joint Powers Financing Authority Civic Center Project Lease Revenue Bonds, Series 2009, in order to realize substantial debt service savings. The Bonds are subject to early redemption on or after August 1, 2019, however due to the market's interest rates in July 2014, if the Authority refunded the bonds, the negative arbitrage associated with an advanced refunding would offset the potential debt service savings. The swaption agreement allows the Authority to capture the estimated savings of the future refunding without issuing refunding bonds until a later date.

In addition to the risks discussed in the Interest Rate Swaps section above, the swaption is subject to *market-access risk*, which is the risk that the City will not be able to enter credit markets or that credit will become more costly in the future. To complete the swaption's objective, the issuance of refunding bonds is planned in the future and, if at that time the City is unable to enter credit markets, the expected cost savings may not be realized.

The swaption agreement was issued in the notional amount of \$77,315,000 and the City received an upfront payment in the amount of \$10,659,909, which represents the embedded loan payable, and incurred costs of issuance that resulted in a net cash payment of \$9,386,000.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Interest of \$29,404 accreted on the embedded loan during fiscal year 2015 and the balance of the loan as of June 30, 2015 was \$10,689,313.

The borrowing as of June 30, 2015 resulted in a derivative investment with a fair value liability of \$3,512,877 as noted in the Interest Rate Swaps section above.

Under the terms of the future swap agreement the City will pay fixed interest of 4.8% on a semi-annual basis commencing February 1, 2020 and receive quarterly interest payments of 80% of 3 month LIBOR commencing November 1, 2019. The swaption agreement will terminate on August 1, 2037. The City expects that if the swaption is exercised, it will finance the cash settlement amount as part of a refunding bond issuance relating to the JPFA Civic Center Bonds.

**Capital Leases**

Capital leases payable at June 30, 2015 consisted of the following:

|   |                           |
|---|---------------------------|
| Qualified Energy Conservation Lease           | \$822,793                 |
| JPFA Recovery Zone Economic Development Lease | 991,024                   |
| Holman Capital Corporation Lease #1           | 353,707                   |
| Holman Capital Corporation Lease #2           | 876,940                   |
| Holman Capital Corporation Lease #3           | 278,951                   |
| Holman Capital Corporation Lease #4           | 1,657,242                 |
| Street Light Capital Lease                    | 4,314,466                 |
| <b>Total</b>                                  | <u><u>\$9,295,123</u></u> |

**Qualified Energy Conservation Lease – Original Amount \$1,052,526**

On December 22, 2010 the City entered into a capital lease with Bank of America in the amount of \$1,052,526 to finance the purchase and installation of energy conservation equipment at various City-owned buildings. The City received an allocation of the national Qualified Energy Conservation Bond which includes a direct subsidy from the United States Treasury for the interest payable on the bonds under the Hiring Incentives to Restore Employment Act (HIRE Act). The subsidy will be payable on or about the date that the City makes its debt service payments and is equal to 59.79% of the interest payable on the lease. The subsidy received in fiscal year 2015 was \$32,823. The lease bears interest at a rate of 6.79% and principal and interest payments are due semi-annually each June 15 and December 15 commencing on December 15, 2011 through 2026.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

| For the Years<br>Ending June 30, | Principal        | Interest         | Total              |
|----------------------------------|------------------|------------------|--------------------|
| 2016                             | \$65,076         | \$54,770         | \$119,846          |
| 2017                             | 66,865           | 50,322           | 117,187            |
| 2018                             | 68,703           | 45,751           | 114,454            |
| 2019                             | 70,591           | 41,054           | 111,645            |
| 2020                             | 72,531           | 36,228           | 108,759            |
| 2021-2025                        | 393,680          | 103,980          | 497,660            |
| 2026                             | 85,347           | 4,356            | 89,703             |
| <b>Total</b>                     | <b>\$822,793</b> | <b>\$336,461</b> | <b>\$1,159,254</b> |

**Richmond Joint Powers Financing Authority Recovery Zone Economic Development Lease –  
Original Amount \$1,316,000**

On December 22, 2010 the Authority entered into a capital lease with Bank of America in the amount of \$1,316,000 to finance the improvements to three of the City's fire stations and a senior center. The City agreed to lease the three fire stations to the Authority in exchange for lease payments in the amount of the debt. The Authority received the lease proceeds under an allocation of the National Recovery Zone Economic Development Bonds under the American Recovery and Reinvestment Act of 2009, which includes a direct subsidy from the United States Treasury for the interest payable on the Bonds. The lease subsidy will be payable on or about the date that the Authority makes its debt service payments and is equal to 45% of the interest payable on the lease upon filing of a request by the Authority. The total subsidy received in fiscal year 2015 was \$28,489. The lease bears interest at a rate of 6.50% and principal and interest payments on the lease are due semi-annually each June 15 and December 15, commencing on June 15, 2011, through 2026.

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

| For the Years<br>Ending June 30, | Principal        | Interest         | Total              |
|----------------------------------|------------------|------------------|--------------------|
| 2016                             | \$79,308         | \$63,139         | \$142,447          |
| 2017                             | 82,169           | 57,938           | 140,107            |
| 2018                             | 85,133           | 52,549           | 137,682            |
| 2019                             | 88,203           | 46,966           | 135,169            |
| 2020                             | 91,385           | 41,182           | 132,567            |
| 2021-2025                        | 508,809          | 111,570          | 620,379            |
| 2026                             | 56,017           | 1,821            | 57,838             |
| <b>Total</b>                     | <b>\$991,024</b> | <b>\$375,165</b> | <b>\$1,366,189</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Holman Capital Corporation Lease #1– Police and Fire Radios – Original Amount \$2,711,743**

On November 30, 2011, the City entered into a capital lease agreement with Holman Capital Corporation to finance police and fire department radios. The lease bears an interest rate of 2.47%. Principal and interest payments on the lease are due semi-annually on each May 31 and November 30 commencing on November 30, 2011 through 2015.

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

| For the Years   |           |          |           |
|-----------------|-----------|----------|-----------|
| Ending June 30, | Principal | Interest | Total     |
| 2016            | \$353,707 | \$4,368  | \$358,075 |

**Holman Capital Corporation Lease #2 – Equipment – Original Amount \$2,854,454**

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to refinance two SunTrust leases for the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment and various other vehicles. The lease bears interest rates that range from 2.21% to 3.06%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2017.

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

| For the Years   |                  |                 |                  |
|-----------------|------------------|-----------------|------------------|
| Ending June 30, | Principal        | Interest        | Total            |
| 2016            | \$342,808        | \$24,232        | \$367,040        |
| 2017            | 353,377          | 13,661          | 367,038          |
| 2018            | 180,755          | 2,766           | 183,521          |
| <b>Total</b>    | <b>\$876,940</b> | <b>\$40,659</b> | <b>\$917,599</b> |

**Holman Capital Corporation Lease #3 – Mall Directional Signs - Original Amount \$502,500**

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to finance the purchase of mall directional signs. The lease bears an interest rate of 3.35%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2019.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

| For the Years<br>Ending June 30, | Principal        | Interest        | Total            |
|----------------------------------|------------------|-----------------|------------------|
| 2016                             | \$66,302         | \$8,794         | \$75,096         |
| 2017                             | 68,541           | 6,555           | 75,096           |
| 2018                             | 70,857           | 4,239           | 75,096           |
| 2019                             | 73,251           | 1,846           | 75,097           |
| <b>Total</b>                     | <b>\$278,951</b> | <b>\$21,434</b> | <b>\$300,385</b> |

**Holman Capital Corporation Lease #4 – West Contra Costa Family Justice Center - Original Amount \$2,000,000**

On November 1, 2012 the City entered into a lease agreement with Holman Capital Corporation in the amount of \$2,000,000 to finance improvements to the City’s West Contra Costa Family Justice Center. The lease bears an interest rate of 3.17%. Principal and interest payments on the lease are due semi-annually on each July 14 and January 14 commencing on July 14, 2013 through January 14, 2023.

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

| For the Years<br>Ending June 30, | Principal          | Interest         | Total              |
|----------------------------------|--------------------|------------------|--------------------|
| 2016                             | \$185,081          | \$51,079         | \$236,160          |
| 2017                             | 190,994            | 45,166           | 236,160            |
| 2018                             | 197,097            | 39,063           | 236,160            |
| 2019                             | 203,395            | 32,766           | 236,161            |
| 2020                             | 209,893            | 26,267           | 236,160            |
| 2021-2023                        | 670,782            | 37,699           | 708,481            |
| <b>Total</b>                     | <b>\$1,657,242</b> | <b>\$232,040</b> | <b>\$1,889,282</b> |

**Street Light Capital Lease - Original Amount \$4,641,936**

On July 31, 2013 the City entered into a lease agreement with Bank of America in the amount of \$4,641,936 to finance the purchase of streetlights and the associated upgrade costs. The lease bears an interest rate of 2.55%. Principal and interest payments on the lease are due semi-annually on each October 30 and April 30 commencing on April 30, 2014 through October 30, 2026.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

| For the Years   |                    |                  |                    |
|-----------------|--------------------|------------------|--------------------|
| Ending June 30, | Principal          | Interest         | Total              |
| 2016            | \$257,950          | \$108,419        | \$366,369          |
| 2017            | 275,629            | 101,731          | 377,360            |
| 2018            | 313,719            | 94,586           | 408,305            |
| 2019            | 352,159            | 86,211           | 438,370            |
| 2020            | 370,787            | 77,114           | 447,901            |
| 2021-2025       | 2,161,202          | 231,615          | 2,392,817          |
| 2026-2027       | 583,020            | 12,802           | 595,822            |
| <b>Total</b>    | <b>\$4,314,466</b> | <b>\$712,478</b> | <b>\$5,026,944</b> |

**B. Business-Type Activities**

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2015:

|                          | Balance<br>July 01, 2014 | Deletions            | Balance<br>June 30, 2015 | Due Within<br>One Year | Due in More<br>than One Year |
|--------------------------|--------------------------|----------------------|--------------------------|------------------------|------------------------------|
| Bonds payable            | \$133,956,455            | (\$5,104,325)        | \$128,852,130            | \$4,923,455            | \$123,928,675                |
| Loans and leases payable | 2,935,889                | (74,700)             | 2,861,189                | 78,062                 | 2,783,127                    |
| <b>Total</b>             | <b>\$136,892,344</b>     | <b>(\$5,179,025)</b> | <b>\$131,713,319</b>     | <b>\$5,001,517</b>     | <b>\$126,711,802</b>         |

Bonds payable at June 30, 2015 consisted of the following:

|  |                      |
|--|----------------------|
| Wastewater Revenue Bonds Series 2006A    | \$11,141,979         |
| Wastewater Refunding Revenue Bonds 2008A | 32,768,627           |
| 2009 Lease Revenue Bonds - Port Portion  | 83,652               |
| 2009A Point Potrero Lease Revenue Bonds  | 26,652,922           |
| 2009B Point Potrero Lease Revenue Bonds  | 15,248,036           |
| Wastewater Revenue Bonds Series 2010A    | 2,167,345            |
| Wastewater Revenue Bonds Series 2010B    | 40,789,569           |
| <b>Total</b>                             | <b>\$128,852,130</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Wastewater Revenue Refunding Bonds Series 2006A and 2006B – Original Issue \$48,830,000**

On October 17, 2006 the City issued \$16,570,000 of Wastewater Revenue Bonds, Series 2006A and \$32,260,000 of Wastewater Revenue Bonds, Series 2006B to refund the remaining \$38,516,264 principal amount of the Wastewater Revenue Bonds, Series 1999 and to fund certain capital costs of the City's Wastewater Enterprise. Net proceeds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the 1999 Wastewater Bonds. The outstanding defeased bonds were called during the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2009, the City issued \$33,015,000 of Wastewater Revenue Refunding Bonds, Series 2008A to refund the 2006B Bonds.

At June 30, 2015, the Bonds consisted of the following:

|                     |                     |
|---------------------|---------------------|
| Bonds outstanding:  | \$10,735,000        |
| Unamortized premium | 406,979             |
| <b>Net</b>          | <b>\$11,141,979</b> |

Principal and interest payments are due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. The annual debt service requirements on the 2006A Bonds are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$1,145,000         | \$435,750          | \$1,580,750         |
| 2017                             | 1,205,000           | 377,000            | 1,582,000           |
| 2018                             | 1,265,000           | 321,575            | 1,586,575           |
| 2019                             | 1,315,000           | 269,975            | 1,584,975           |
| 2020                             | 1,365,000           | 216,375            | 1,581,375           |
| 2021-2023                        | 4,440,000           | 298,038            | 4,738,038           |
| <b>Total</b>                     | <b>\$10,735,000</b> | <b>\$1,918,713</b> | <b>\$12,653,713</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008 A – Original Issue \$33,015,000**

On October 17, 2008 the City issued Series 2008A Wastewater Revenue Refunding Bonds in the amount of \$33,015,000. The proceeds from the Bonds were used to refund the City's 2006B Wastewater Revenue Bonds. The 2008A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions, but is capped at 12%. Along with the issuance, the City entered into an irrevocable, direct-pay letter of credit issued by Union Bank of California in order to remarket the bonds at lower interest rates. The Union Bank letter of credit is valid through October 21, 2016. The City originally entered into a 31-year interest rate swap agreement for the entire amount of the 2006B Bonds, and the City continued this interest rate swap agreement after the redemption of the 2006B Bonds, and the 2008A Bonds are associated with the interest rate swap agreement, but the notional amount of the swap is based on the 2006B Bonds. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate for the Bonds was 3.610% at June 30, 2015.

At June 30, 2015, the Bonds consisted of the following:

|                      |                            |
|----------------------|----------------------------|
| Bonds outstanding    | \$32,935,000               |
| Unamortized discount | (166,373)                  |
| <b>Net</b>           | <u><u>\$32,768,627</u></u> |

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

| For the Years<br>Ending June 30, | Principal                  | Interest                   | Total                      |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| 2016                             | \$20,000                   | \$1,435,866                | \$1,455,866                |
| 2017                             | 20,000                     | 1,436,389                  | 1,456,389                  |
| 2018                             | 20,000                     | 1,435,472                  | 1,455,472                  |
| 2019                             | 20,000                     | 1,435,342                  | 1,455,342                  |
| 2020                             | 20,000                     | 1,435,168                  | 1,455,168                  |
| 2021-2025                        | 3,410,000                  | 6,978,730                  | 10,388,730                 |
| 2026-2030                        | 9,585,000                  | 5,277,333                  | 14,862,333                 |
| 2031-2035                        | 11,645,000                 | 2,927,518                  | 14,572,518                 |
| 2036-2039                        | 8,195,000                  | 422,660                    | 8,617,660                  |
| <b>Total</b>                     | <u><u>\$32,935,000</u></u> | <u><u>\$22,784,478</u></u> | <u><u>\$55,719,478</u></u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Port Refunding Bonds Original Issue \$2,673,455**

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of \$89,795,000 as discussed in Note 8A above. The proceeds from the Bonds were used to refund the Authority's entire outstanding principal amount of its 2007 Lease Revenue Bonds. A portion of the proceeds from the 2007 Bonds were used to refund the remaining \$3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The 1996 Bonds were called in March 2008.

The Series 2009 Bonds in the principal amount \$87,121,545 have been recorded as governmental activities debt, and \$113,455 has been recorded as business-type activities in the Port of Richmond Enterprise Fund.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2016 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for \$101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for a notional amount of \$85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments will be made semi-annually on August 1 and February 1 commencing on February 1, 2010. Information regarding the interest rate swap agreement is discussed in Note 8A above.

At June 30, 2015, the Bonds consisted of the following:

|                      |                               |
|----------------------|-------------------------------|
| Bonds outstanding:   | \$113,455                     |
| Unamortized discount | (29,803)                      |
| <b>Net</b>           | <b><u><u>\$83,652</u></u></b> |

The annual debt service requirements are as follows:

| For the Years          | Principal               | Interest              | Total                   |
|------------------------|-------------------------|-----------------------|-------------------------|
| <u>Ending June 30,</u> |                         |                       |                         |
| 2016                   | <u><u>\$113,455</u></u> | <u><u>\$2,269</u></u> | <u><u>\$115,724</u></u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Interest Rate Swap Agreements*

On November 19, 2009, the City terminated the swap agreement associated with the 2006B Wastewater Revenue Refunding Bonds discussed above by using the proceeds from a swap agreement that is based on the \$32,260,000 notional amount of the 2006B Bonds. In connection with the 2009 swap agreement, the City received an up-front payment in the amount of \$4,431,618 that was used to make the termination payment on the prior swap agreement. The fixed rate payments to the counterparty will be due semi-annually on August 1 and February 1, commencing February 1, 2010. The variable payments from the counterparty will be due on a monthly basis on the last business day of each month commencing December 31, 2009. The transaction allows the City to create a synthetic fixed rate on the 2008A Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

The City also entered into swap agreements associated with the 2009 Lease Revenue Refunding Bonds, for which the terms and risks are disclosed in Note 8A above. Only disclosure related to the fair value of the 2009 Lease Revenue Refunding Bonds is included below.

*Terms.* The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2015, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount on an annual basis.

| Outstanding<br>Notional<br>Amount | Effective<br>Date | Counterparty            | Long-Term<br>Credit Rating<br>(S&P/Moody's/Fitch) | Fixed<br>Rate<br>Paid | Variable<br>Rate<br>Received                              | Fair Value at<br>June 30, 2015 | Termination<br>Date |
|-----------------------------------|-------------------|-------------------------|---|-----------------------|---|--------------------------------|---------------------|
| \$32,260,000                      | 11/23/2009        | Royal Bank of<br>Canada | AA-/Aa3/AA  | 3.897%                | 63.42% of USD-1<br>Month LIBOR<br>plus 22 basis<br>points | (\$8,992,000)                  | 8/1/2037            |

Based on the swap agreement, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

As of June 30, 2015, the fair value for the each of the outstanding swaps were in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the ineffective hedges as noted below:

|   | Changes in Fair Value |             | Fair value at June 30, 2015 |               |
|---|-----------------------|-------------|-----------------------------|---------------|
|   | Classification        | Amount      | Classification              | Amount        |
| <i>Business-Type Activities</i>           |                       |             |                             |               |
| <b>Pay-Fixed, Receive-Variable</b>        |                       |             |                             |               |
| <b>2006B Wastewater Bonds</b>             | Investment revenue    | (\$856,000) | Investment                  | (\$8,992,000) |
| <b>Pay-Variable, Receive-Variable</b>     |                       |             |                             |               |
| <b>2009 Lease Revenue Refunding Bonds</b> | Investment revenue    | 78,952      | Investment                  | (12,292)      |
| <b>Totals</b>                             |                       | (\$777,048) |                             | (\$9,004,292) |

*Credit risk.* As of June 30, 2015, the City was not exposed to credit risk on the outstanding swaps because the swaps had a negative fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk.* Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2006B Wastewater Bonds, associated with the 2008A Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on August 1, 2037 while the 2008A Wastewater Revenue Bonds mature on August 1, 2038.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Swap payments and associated debt.* Using rates as of June 30, 2015, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond *interest payments* and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

| For the Years<br>Ending June 30, | Variable-Rate Bonds |                    | Interest Rate       | Total               |
|----------------------------------|---------------------|--------------------|---------------------|---------------------|
|                                  | Principal           | Interest           | Swap, Net           |                     |
| 2016                             | \$20,000            | \$287,700          | \$1,148,166         | \$1,455,866         |
| 2017                             | 20,000              | 288,223            | 1,148,166           | 1,456,389           |
| 2018                             | 20,000              | 287,306            | 1,148,166           | 1,455,472           |
| 2019                             | 20,000              | 287,176            | 1,148,166           | 1,455,342           |
| 2020                             | 20,000              | 287,002            | 1,148,166           | 1,455,168           |
| 2021-2025                        | 3,410,000           | 1,412,651          | 5,566,079           | 10,388,730          |
| 2026-2030                        | 9,585,000           | 1,105,175          | 4,172,158           | 14,862,333          |
| 2031-2035                        | 11,645,000          | 647,556            | 2,279,962           | 14,572,518          |
| 2036-2039                        | 8,195,000           | 129,034            | 293,626             | 8,617,660           |
| <b>Total</b>                     | <b>\$32,935,000</b> | <b>\$4,731,823</b> | <b>\$18,052,655</b> | <b>\$55,719,478</b> |

**Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A and 2009B – Original Issue Series 2009A (\$26,830,000), Series 2009B (\$20,820,000)**

On July 13, 2009, the Authority issued Series 2009A and Series 2009B Point Potrero Lease Revenue Bonds in the amounts of \$26,830,000 and \$20,820,000, respectively. The proceeds from the Bonds were used for the construction of an automobile warehousing and distribution facility, including rail improvements, to be located at the Point Potrero Terminal at the Port of Richmond. The facility began operations in April 2010. The Bonds bear interest rates that range from 6.25% to 8.50%. Principal payments are due annually on July 1 and semi-annual interest payments are due July 1 and January 1 commencing on January 1, 2010 through 2025 for the Series 2009A and through 2020 for the Series 2009B Bonds.

At June 30, 2015 the Series 2009A Bonds consisted of:

|                      |                            |
|----------------------|----------------------------|
| Bonds outstanding    | \$26,830,000               |
| Unamortized discount | <u>(177,078)</u>           |
| <b>Net</b>           | <b><u>\$26,652,922</u></b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The annual debt service requirements on the 2009A Bonds are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest            | Total               |
|----------------------------------|---------------------|---------------------|---------------------|
| 2016                             |                     | \$1,676,875         | \$1,676,875         |
| 2017                             |                     | 1,676,875           | 1,676,875           |
| 2018                             |                     | 1,676,875           | 1,676,875           |
| 2019                             |                     | 1,676,875           | 1,676,875           |
| 2020                             |                     | 1,676,875           | 1,676,875           |
| 2021-2025                        | \$26,830,000        | 4,948,125           | 31,778,125          |
| <b>Total</b>                     | <b>\$26,830,000</b> | <b>\$13,332,500</b> | <b>\$40,162,500</b> |

At June 30, 2015 the Series 2009B Bonds consisted of:

|                      |                     |
|----------------------|---------------------|
| Bonds outstanding    | \$15,425,000        |
| Unamortized discount | (176,964)           |
| <b>Net</b>           | <b>\$15,248,036</b> |

The annual debt service requirements on the 2009B Bonds are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$2,610,000         | \$1,185,156        | \$3,795,156         |
| 2017                             | 2,830,000           | 956,838            | 3,786,838           |
| 2018                             | 3,065,000           | 709,419            | 3,774,419           |
| 2019                             | 3,320,000           | 441,419            | 3,761,419           |
| 2020                             | 3,600,000           | 151,031            | 3,751,031           |
| <b>Total</b>                     | <b>\$15,425,000</b> | <b>\$3,443,863</b> | <b>\$18,868,863</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Wastewater Revenue Bonds, Series 2010A and Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B– Original Issues \$3,110,000 and \$41,125,000**

On October 7, 2010 the City issued Series 2010A Wastewater Revenue Bonds in the amount of \$3,110,000. The proceeds from the Bonds were used to finance improvements to the City’s wastewater collection, treatment and disposal system. Principal payments are due annually on August 1. Interest rates on the Bonds range from 3% to 4% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2016. At June 30, 2015 the Series 2010A Bonds consisted of:

|                     |                                  |
|---------------------|----------------------------------|
| Bonds outstanding   | \$2,105,000                      |
| Unamortized premium | <u>62,345</u>                    |
| <b>Net</b>          | <b><u><u>\$2,167,345</u></u></b> |

The annual debt service requirements on the 2010A Bonds are as follows:

| For the Years          | Principal                        | Interest                      | Total                            |
|------------------------|----------------------------------|-------------------------------|----------------------------------|
| <u>Ending June 30,</u> | <u>                    </u>      | <u>                    </u>   | <u>                    </u>      |
| 2016                   | \$1,035,000                      | \$60,913                      | \$1,095,913                      |
| 2017                   | <u>1,070,000</u>                 | <u>21,400</u>                 | <u>1,091,400</u>                 |
| <b>Total</b>           | <b><u><u>\$2,105,000</u></u></b> | <b><u><u>\$82,313</u></u></b> | <b><u><u>\$2,187,313</u></u></b> |

On October 7, 2010 the City also issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of \$41,125,000. The proceeds of these Bonds will be used in conjunction with the 2010A Bonds for the projects listed above. The taxable 2010B Bonds were sold as “Build America Bonds” pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35% of the interest payable on the Bonds. The subsidy will be payable on or about the date that the City makes its debt service payments and the total subsidy received in fiscal year 2015 was \$799,729. Principal payments on the Bonds will be made annually on August 1. The Bonds bear interest of rates that range from 3.757% to 6.461% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

At June 30, 2015 the Series 2010B Bonds consisted of:

|                      |                                   |
|----------------------|-----------------------------------|
| Bonds outstanding    | \$41,125,000                      |
| Unamortized discount | <u>(335,431)</u>                  |
| <b>Net</b>           | <b><u><u>\$40,789,569</u></u></b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The annual debt service requirements on the 2010B Bonds are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest            | Total               |
|----------------------------------|---------------------|---------------------|---------------------|
| 2016                             |                     | \$2,463,546         | \$2,463,546         |
| 2017                             |                     | 2,463,546           | 2,463,546           |
| 2018                             | \$1,115,000         | 2,442,601           | 3,557,601           |
| 2019                             | 1,145,000           | 2,397,359           | 3,542,359           |
| 2020                             | 1,175,000           | 2,347,247           | 3,522,247           |
| 2021-2024                        | 6,450,000           | 10,803,862          | 17,253,862          |
| 2026-2030                        | 7,700,000           | 8,810,346           | 16,510,346          |
| 2031-2035                        | 9,395,000           | 6,134,333           | 15,529,333          |
| 2036-2040                        | 11,540,000          | 2,766,277           | 14,306,277          |
| 2041                             | 2,605,000           | 84,155              | 2,689,155           |
| <b>Total</b>                     | <b>\$41,125,000</b> | <b>\$40,713,272</b> | <b>\$81,838,272</b> |

**Pledge of Wastewater Revenues**

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2006A, 2008A, 2010A and 2010B Bonds through 2041. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$152,398,776. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$6,651,302 and \$9,568,125, respectively.

**Loans and Leases Payable**

Loans and leases payable at June 30, 2015, consisted of the following:

|  |             |
|--|-------------|
| California Department of Boating and Waterways | \$2,861,189 |
|--|-------------|

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**California Department of Boating and Waterways**

The City 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 August 2042. The total amount outstanding at June 30, 2015 was \$2,861,189.

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

| For the Years<br>Ending June 30, | Principal          | Interest           | Total              |
|----------------------------------|--------------------|--------------------|--------------------|
| 2016                             | \$78,062           | \$128,754          | \$206,816          |
| 2017                             | 81,574             | 125,241            | 206,815            |
| 2018                             | 85,246             | 121,570            | 206,816            |
| 2019                             | 89,081             | 117,734            | 206,815            |
| 2020                             | 93,090             | 113,725            | 206,815            |
| 2021-2024                        | 532,184            | 501,891            | 1,034,075          |
| 2026-2030                        | 663,198            | 370,877            | 1,034,075          |
| 2031-2035                        | 694,591            | 213,369            | 907,960            |
| 2036-2040                        | 532,588            | 76,613             | 609,201            |
| 2041-2043                        | 11,575             | 1,055              | 12,630             |
| <b>Total</b>                     | <b>\$2,861,189</b> | <b>\$1,770,829</b> | <b>\$4,632,018</b> |

**C. Business-Type Activities – RHA Properties**

The following is a summary of RHA Properties long-term debt activities during the fiscal year ended June 30, 2015:

|               | Balance<br>July 01, 2014 | Additions | Deletions | Balance<br>June 30, 2015 | Due Within<br>One Year |
|---------------|--------------------------|-----------|-----------|--------------------------|------------------------|
| Loans payable | \$2,500,000              |           |           | \$2,500,000              | \$2,500,000            |

**Loans Payable**

In fiscal years 2007 through 2014, the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal years 2013 and 2014, which is reported as a loan payable.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of the Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than \$2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than \$6,600,000. Upon disposition of the Westridge at Hilltop Apartments, RHA Properties had paid back to the City \$7,717,728 of assumed debt during fiscal year 2013-2014. Included in the repayment was the OIG Sanction debt of \$2,257,799, which had been fully repaid as of June 30, 2014.

As of June 30, 2013, the Housing Authority had invested \$1,000,000 in start-up contributions and had advanced \$966,183 to RHA Properties, which was used for debt service and operating expenses. The entire amount was repaid by RHA Properties from the proceeds of the disposition of the Westridge at Hilltop Apartments.

At June 30, 2015, total debt owed to the City by the Authority related to the above activity was \$5,037,790, of which \$2,500,000 was assumed by RHA Properties on behalf of the Authority in fiscal year 2014; \$2,537,790 remains with the Authority. Included in the \$2,500,000 assumed by the RHA Properties was \$1,359,929 of new debt owed by the Authority to the City, which represents retroactive charges the City billed during fiscal year 2013-2014 for the services the City had provided to the Authority prior to fiscal year 2013-2014. The entire amount of debt assumed by the RHA Properties is expected to be paid off from the \$2,500,000 of repair reserve fund withheld in the escrow account associated with the sale of the Westridge at Hilltop Apartments when the fund is to be released to RHA Properties.

**D. *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, 2015, the balances of these Districts' outstanding debt were as follows:

|  |           |
|--|-----------|
| Harbor Navigation Improvement District   | \$385,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT) | 7,765,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B                           | 1,565,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A                           | 3,635,000 |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**E. 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, 2015, the balances of these issuers' outstanding debt were as follows:

|  |             |
|--|-------------|
| YMCA of the East Bay, 1996 Revenue Bonds | \$1,285,000 |
|--|-------------|

**NOTE 9 - UNAVAILABLE REVENUE AND UNEARNED REVENUE**

At June 30, 2015, the following unavailable revenues were recorded in the Fund Financial Statements because the funds were not available to finance expenditures of the current period:

|   | Loans<br>Receivable | Grants<br>Receivable | Total               |
|---|---------------------|----------------------|---------------------|
| General Fund  | \$505,218           | \$679,475            | \$1,184,693         |
| Cost Recovery Special Revenue Fund                              | 427,576             | 188,425              | 616,001             |
| Community Development and Loan<br>Programs Special Revenue Fund | 15,649,763          | 243,655              | 15,893,418          |
| Non-Major Governmental Funds                                    | 1,011,214           | 2,550,697            | 3,561,911           |
| <b>Total</b>  | <b>\$17,593,771</b> | <b>\$3,662,252</b>   | <b>\$21,256,023</b> |

At June 30, 2015, the following unearned revenues were recorded in the City-wide financial statements on the Statement of Net Position:

|  | CAD Fees<br>Enhancement | Environmental and<br>Community<br>Investment Agreement | Prepaid Rent       | Developer<br>Fees & Other | Total               |
|--|-------------------------|--|--------------------|---------------------------|---------------------|
| General Fund                               |                         |  | \$3,736,051        | \$516,150                 | \$4,252,201         |
| Cost Recovery Special Revenue Fund         |                         |  |                    | 1,712,077                 | 1,712,077           |
| Chevron Modernization Special Revenue Fund |                         | \$3,971,138  |                    |                           | 3,971,138           |
| Non-Major Governmental Funds               |                         |  | 3,219,405          | 285,605                   | 3,505,010           |
| Port of Richmond Enterprise Fund           |                         |  |                    | 500,000                   | 500,000             |
| Internal Service Funds                     | \$1,197,765             |  |                    |                           | 1,197,765           |
| <b>Total</b>                               | <b>\$1,197,765</b>      | <b>\$3,971,138</b>                                     | <b>\$6,955,456</b> | <b>\$3,013,832</b>        | <b>\$15,138,191</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 10 - FUND BALANCES AND NET POSITION**

**A. Use of Restricted/Unrestricted Net Position**

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

**B. Net Position**

In the City-wide financial statements, Net Position is classified as follows:

**Net Investment in Capital Assets** – This amount consists of capital assets net of accumulated depreciation plus deferred outflows of resources associated with the refunding of related capital debt, reduced by outstanding debt that was used for the acquisition, construction, or improvement of these capital assets.

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

**Unrestricted Net Position** – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

**C. Fund Balances**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, interfund advances and notes receivable are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by the same formal action of the City Council. The highest level of formal action of the City Council is an Ordinance.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or its designee, during the budget approval process or via budget amendments in accordance with the City's adopted budget policy. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's fund balances, as of June 30, 2015, are below:

| Fund Balance Classifications                   | General Fund        | Special Revenue      |   | Other Governmental Funds | Total               |
|--|---------------------|----------------------|---|--------------------------|---------------------|
|  |                     | Cost Recovery        | Community Development and Loan Programs |                          |                     |
| <b>Nonspendable:</b>                           |                     |                      |   |                          |                     |
| Items not in spendable form:                   |                     |                      |   |                          |                     |
| Prepays, supplies and other assets             | \$585,167           |                      |   | \$484                    | \$585,651           |
| Loans receivable                               | 2,663,029           |                      |   |                          | 2,663,029           |
| Advance to other funds                         | 15,460,486          |                      |   |                          | 15,460,486          |
| <b>Total Nonspendable Fund Balances</b>        | <b>18,708,682</b>   |                      |   | <b>484</b>               | <b>18,709,166</b>   |
| <b>Restricted for:</b>                         |                     |                      |   |                          |                     |
| Street Improvement Projects                    |                     |                      |   | 2,645,289                | 2,645,289           |
| Employment and Training Programs               |                     |                      |   | 1,915,487                | 1,915,487           |
| Public Safety Grant Programs (Police and Fire) |                     |                      |   | 652,623                  | 652,623             |
| Lighting and Landscaping                       |                     |                      |   | 938,910                  | 938,910             |
| Pension Obligations                            |                     |                      |   | 358                      | 358                 |
| Housing and Community Development              |                     |                      | \$23,655,312                            | 606,141                  | 24,261,453          |
| Debt Service                                   |                     |                      |   | 7,038,944                | 7,038,944           |
| Other Capital Projects                         |                     |                      |   | 3,564,538                | 3,564,538           |
| <b>Total Restricted Fund Balances</b>          |                     |                      | <b>23,655,312</b>                       | <b>17,362,290</b>        | <b>41,017,602</b>   |
| <b>Assigned to:</b>                            |                     |                      |   |                          |                     |
| Other Capital Projects                         |                     |                      |   | 430,083                  | 430,083             |
| Other Contracts                                | 23,934              |                      |   |                          | 23,934              |
| <b>Total Assigned Fund Balances</b>            | <b>23,934</b>       |                      |   | <b>430,083</b>           | <b>454,017</b>      |
| <b>Unassigned:</b>                             |                     |                      |   |                          |                     |
| General Fund                                   | 9,949,120           |                      |   |                          | 9,949,120           |
| Other Governmental Fund Deficit Residuals      |                     | (\$8,646,635)        |   | (1,108,495)              | (9,755,130)         |
| <b>Total Unassigned Fund Balances</b>          | <b>9,949,120</b>    | <b>(8,646,635)</b>   |   | <b>(1,108,495)</b>       | <b>193,990</b>      |
| <b>Total Fund Balances (Deficits)</b>          | <b>\$28,681,736</b> | <b>(\$8,646,635)</b> | <b>\$23,655,312</b>                     | <b>\$16,684,362</b>      | <b>\$60,374,775</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

**D. Contingency Reserve Policy**

In Fiscal Year 2004-05, the City Council established a \$10 million general fund contingency reserve policy. Although the policy called for the contingency reserve to be fully funded over a period of five fiscal years, the City fully funded the contingency reserve, in part by depositing \$8 million from one-time revenue sources, ahead of schedule during Fiscal Year 2005-06. In April 2007, the City Council adopted an update to the policy, providing for a minimum cash reserve of 7 - 15% of the next year's budgeted General Fund expenditures. The reserve can be temporarily reduced to 7% in times of emergency, but must be restored thereafter. This is the minimum needed to maintain the City's creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. City Council approval is required before any cash can be withdrawn from the reserve fund. At the time of City Council approval of any use of reserves, a Stabilization Policy laying out the plans for restoration of reserves must be simultaneously put in place with the Council's approval. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. As the City experiences net revenue gains in future years, the cash balance must grow back to 15% of total expenditures, following the stabilization policy, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services. The City's current \$10 million contingency reserve equals approximately 7.3% of budgeted general fund expenditures for fiscal year 2014-15. The City plans to reach the 15% target reserve level by retaining investment earnings, calculated on the principal balance of the reserve each fiscal year, in the reserve account until the target is reached, when funding is available. The balance of the contingency reserve was \$10 million at June 30, 2015, which is a component of unassigned fund balance of the General Fund. The General Fund contingency reserve was not fully funded as of June 30, 2015.

**E. Deficit Fund Balances and Accumulated Deficits**

At June 30, 2015, the following funds had deficit fund balance or deficit net position, which will be eliminated by future revenues:

|  |             |
|--|-------------|
| Major Funds:   |             |
| Cost Recovery Special Revenue Fund                                 | \$8,646,635 |
| Non Major Governmental Funds:                                      |             |
| Paratransit Operations Special Revenue Fund                        | 253,714     |
| Developer Impact Fees Special Revenue Fund                         | 514,986     |
| Civic Center Debt Service Fund                                     | 339,795     |
| Non Major Enterprise Funds:  |             |
| Storm Sewer  | 2,111,224   |
| Cable TV   | 396,987     |
| Internal Service Fund:   |             |
| Insurance Reserves   | 6,909,892   |
| Private-Purpose Trust Fund:  |             |
| Successor Agency to the Richmond<br>Community Redevelopment Agency | 59,944,955  |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

**F. Restatements and Adjustments of Fund Balance and Net Position**

During fiscal year 2015 the City implemented new accounting pronouncements, adopted revised accounting policies and made other corrections that resulted in restatements or adjustments to beginning net position or fund balance. Below is a summary of those restatements and adjustments which are described in detail following the table:

|  | Governmental<br>Activities | Business-Type<br>Activities | Governmental<br>Funds | Enterprise<br>Funds | Internal Service<br>Funds |
|--|----------------------------|-----------------------------|-----------------------|---------------------|---------------------------|
| Beginning balance as previously reported | \$130,129,060              | \$79,607,922                | \$51,536,955          | \$79,607,922        | \$4,532,501               |
| Restatements:                            |                            |                             |                       |                     |                           |
| Accounts Receivable                      | (1,724,593)                |                             | (1,724,593)           |                     |                           |
| Loans Receivable                         | 2,263,938                  |                             | 2,263,938             |                     |                           |
| Unavailable Revenue                      | 2,234,387                  |                             | 1,767,299             |                     |                           |
| Implementation of GASB 68 and 71:        |                            |                             |                       |                     |                           |
| Net Pension Asset                        | (93,063,156)               |                             |                       |                     |                           |
| Net Pension Obligation                   | 171,461                    |                             |                       |                     |                           |
| Pension Related Deferred Outflows        | 14,882,773                 | 819,269                     |                       | 819,269             | 211,376                   |
| Net Pension Liability                    | (246,403,278)              | (13,826,908)                |                       | (13,826,908)        | (3,625,821)               |
| Beginning balance, as restated           | <u>(\$191,509,408)</u>     | <u>\$66,600,283</u>         | <u>\$53,843,599</u>   | <u>\$66,600,283</u> | <u>\$1,118,056</u>        |

Accounts Receivable – During fiscal year 2015, City staff discovered that a duplicate accrual of a receivable had been recorded as of June 30, 2014. As a result, accounts receivable and beginning fund balance have been restated and decreased in the amount of \$1,724,593.

Loans Receivable – During fiscal year 2015, City staff discovered that there were loans issued in 2005 in the amount of \$2,263,938 that had not been recorded in the general ledger. As a result, loans receivable and beginning fund balance have been restated and increased in that amount.

Unavailable Revenue – During fiscal year 2015, City staff determined that a loan receivable from the prior year should have been offset with fund balance instead of unavailable revenue. As a result, beginning fund balances has been restated and increased in the amount of \$1,767,299.

In addition, during fiscal year 2015, City staff adopted a revised accounting policy related to accruing interest receivable for long-term loans receivable and that the interest should be offset with unavailable revenue. Therefore, accrued interest for four of the City’s loans receivable was recorded in the general ledger and the accrued interest is offset with unavailable revenue at the fund level, and is recognized as revenue at the entity-wide level. As a result, unavailable revenue and beginning net position have been restated and increased in the amount of \$2,234,387.

Implementation of Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

Net Pension Asset and Net Pension Obligation – With the implementation of GASB 68 the balances of the City’s Net Pension Assets and Net Pension Obligations as of July 1, 2014 were removed from the general ledger. See the table below for the effect on beginning net position.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required the City to make prior period adjustments. As a result, beginning net positions were restated as shown in the table below. See Notes 11 and 12 for additional information.

|                            | Net Pension<br>Asset | Net Pension<br>Obligation | Pension Related<br>Deferred<br>Outflows | Net Pension<br>Liability | Total           |
|----------------------------|----------------------|---------------------------|---|--------------------------|-----------------|
| Entity-Wide Level          |                      |                           |   |                          |                 |
| Governmental Activities    | (\$93,063,156)       | \$171,461                 | \$14,882,773                            | (\$246,403,278)          | (\$324,412,200) |
| Business-Type Activities   |                      |                           | \$819,269                               | (\$13,826,908)           | (\$13,007,639)  |
| Enterprise Funds:          |                      |                           |   |                          |                 |
| Richmond Housing Authority |                      |                           | \$446,290                               | (\$7,429,052)            | (\$6,982,762)   |
| Port of Richmond           |                      |                           | 136,393                                 | (2,339,597)              | (2,203,204)     |
| Municipal Sewer            |                      |                           | 113,122                                 | (1,940,424)              | (1,827,302)     |
| Non Major Enterprise Funds |                      |                           | 123,464                                 | (2,117,835)              | (1,994,371)     |
| Total Enterprise Funds     |                      |                           | \$819,269                               | (\$13,826,908)           | (\$13,007,639)  |
| Internal Service Fund:     |                      |                           |   |                          |                 |
| Insurance Reserves         |                      |                           | \$211,376                               | (\$3,625,821)            | (\$3,414,445)   |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|---|
| <b>NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS</b> |
|---|

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the California Public Employees’ Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A.     *General Information about the CalPERS Pension Plans***

***Plan Descriptions*** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The City’s employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% @ 55 Benefit Formula or the Safety Plan under the 3.0% @ 50 (Police) or 3.0% @ 55 (Fire) Benefit Formula. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The City’s employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% @ 62 Benefit Formula or the 2.7% @ 57 (Police and Fire) Benefit Formula.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

|   | <b>Miscellaneous</b>        |                                |                                 |
|---|-----------------------------|--------------------------------|---------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |                                 |
| Hire date   | 2.7% @ 55                   | 2.0% @ 62                      |                                 |
| Benefit formula                                   | 5 years service             | 5 years service                |                                 |
| Benefit vesting schedule                          | monthly for life            | monthly for life               |                                 |
| Benefit payments                                  | 50 - 55                     | 52 - 67                        |                                 |
| Retirement age                                    | 2.0% to 2.7%                | 1.0% to 2.5%                   |                                 |
| Monthly benefits, as a % of eligible compensation | 8%                          | 6.75%                          |                                 |
| Required employee contribution rates              | 19.858%                     | 19.858%                        |                                 |
| Required employer contribution rates              |                             |                                |                                 |
|   | <b>Safety - Police</b>      | <b>Safety - Fire</b>           | <b>Safety - Police and Fire</b> |
|   | Prior to<br>January 1, 2013 | Prior to<br>January 1, 2013    | On or after<br>January 1, 2013  |
| Hire date   | 3.0% @ 50                   | 3.0% @ 55                      | 2.7% @ 57                       |
| Benefit formula                                   | 5 years service             | 5 years service                | 5 years service                 |
| Benefit vesting schedule                          | monthly for life            | monthly for life               | monthly for life                |
| Benefit payments                                  | 50                          | 50 - 55                        | 50 - 57                         |
| Retirement age                                    | 3.00%                       | 2.4% to 3.0%                   | 2.0% to 2.7%                    |
| Monthly benefits, as a % of eligible compensation | 9%                          | 9%                             | 12.25%                          |
| Required employee contribution rates              | 30.512%                     | 30.512%                        | 30.512%                         |
| Required employer contribution rates              |                             |                                |                                 |

**Employees Covered** – As of the June 30, 2013 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

|  | Miscellaneous | Safety |
|--|---------------|--------|
| Inactive employees or beneficiaries currently receiving benefits | 873           | 436    |
| Inactive employees entitled to but not yet receiving benefits    | 470           | 78     |
| Active employees   | 513           | 261    |
| Total  | 1,856         | 775    |

As of June 30, 2015, the City had 482 active employees in the Miscellaneous Plan and 279 active employees in the Safety Plan.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS  
(Continued)**

**B. Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

|                                  | Miscellaneous and Safety   |
|----------------------------------|--|
| Valuation Date                   | June 30, 2013  |
| Measurement Date                 | June 30, 2014  |
| Actuarial Cost Method            | Entry-Age Normal Cost Method   |
| Actuarial Assumptions:           |  |
| Discount Rate                    | 7.5%   |
| Inflation                        | 2.75%  |
| Payroll Growth                   | 3.0%   |
| Projected Salary Increase        | 3.3% - 14.2% (1)   |
| Investment Rate of Return        | 7.5% (2)   |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter. |
| Mortality Rate Table             | Derived using CalPERS Membership Data for all Funds (3)  |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment and administration expenses, includes inflation
- (3) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|---|
| <b>NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS<br/>(Continued)</b> |
|---|

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed the difference immaterial to the agent multiple-employer plans.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class                   | New<br>Strategic<br>Allocation | Real Return<br>Years 1 - 10(a) | Real Return<br>Years 11+(b) |
|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Global Equity                 | 47.0%                          | 5.25%                          | 5.71%                       |
| Global Fixed Income           | 19.0%                          | 0.99%                          | 2.43%                       |
| Inflation Sensitive           | 6.0%                           | 0.45%                          | 3.36%                       |
| Private Equity                | 12.0%                          | 6.83%                          | 6.95%                       |
| Real Estate                   | 11.0%                          | 4.50%                          | 5.13%                       |
| Infrastructure and Forestland | 3.0%                           | 4.50%                          | 5.09%                       |
| Liquidity                     | 2.0%                           | -0.55%                         | -1.05%                      |
| Total                         | <u>100%</u>                    |                                |                             |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability as of the June 30, 2014 Measurement Date for each Plan follows:

*Miscellaneous Plan:*

|   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/(Asset) |
| <b>Balance at June 30, 2013</b>                               | \$415,561,984              | \$304,680,611                  | \$110,881,373                    |
| <b>Changes in the year:</b>                                   |                            |                                |                                  |
| Service cost  | 7,816,868                  |                                | 7,816,868                        |
| Interest on the total pension liability                       | 30,597,498                 |                                | 30,597,498                       |
| Differences between actual and expected experience            |                            |                                | 0                                |
| Changes in assumptions  |                            |                                | 0                                |
| Changes in benefit terms                                      |                            |                                | 0                                |
| Contribution - employer                                       |                            | 6,661,038                      | (6,661,038)                      |
| Contribution - employee                                       |                            | 3,195,699                      | (3,195,699)                      |
| Net investment income   |                            | 51,867,728                     | (51,867,728)                     |
| Administrative expenses                                       |                            |                                | 0                                |
| Benefit payments, including refunds of employee contributions | (23,007,539)               | (23,007,539)                   | 0                                |
| <b>Net changes</b>  | <u>15,406,827</u>          | <u>38,716,926</u>              | <u>(23,310,099)</u>              |
| <b>Balance at June 30, 2014</b>                               | <u>\$430,968,811</u>       | <u>\$343,397,537</u>           | <u>\$87,571,274</u>              |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

|   |
|---|
| <b>NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS<br/>(Continued)</b> |
|---|

*Safety Plan:*

|   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/(Asset) |
| <b>Balance at June 30, 2013</b>                               | \$518,576,503              | \$379,062,015                  | \$139,514,488                    |
| <b>Changes in the year:</b>                                   |                            |                                |                                  |
| Service cost  | 10,167,167                 |                                | 10,167,167                       |
| Interest on the total pension liability                       | 38,254,517                 |                                | 38,254,517                       |
| Differences between actual and expected experience            |                            |                                | 0                                |
| Changes in assumptions  |                            |                                | 0                                |
| Changes in benefit terms                                      |                            |                                | 0                                |
| Contribution - employer                                       |                            | 9,352,438                      | (9,352,438)                      |
| Contribution - employee                                       |                            | 3,348,408                      | (3,348,408)                      |
| Net investment income   |                            | 64,842,562                     | (64,842,562)                     |
| Administrative expenses                                       |                            |                                | 0                                |
| Benefit payments, including refunds of employee contributions | (27,199,743)               | (27,199,743)                   | 0                                |
| <b>Net changes</b>  | 21,221,941                 | 50,343,665                     | (29,121,724)                     |
| <b>Balance at June 30, 2014</b>                               | \$539,798,444              | \$429,405,680                  | \$110,392,764                    |
| <b>Totals - Miscellaneous and Safety Plans</b>                | <b>\$970,767,255</b>       | <b>\$772,803,217</b>           | <b>\$197,964,038</b>             |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                       | Miscellaneous | Safety        |
|-----------------------|---------------|---------------|
| 1% Decrease           | 6.50%         | -1.00%        |
| Net Pension Liability | \$139,520,823 | \$178,911,706 |
| Current Discount Rate | 7.50%         | 0.00%         |
| Net Pension Liability | \$87,571,274  | \$110,392,764 |
| 1% Increase           | 8.50%         | 1.00%         |
| Net Pension Liability | \$44,192,579  | \$53,656,097  |

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|---|
| <b>NOTE 11 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS</b><br><b>(Continued)</b> |
|---|

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$16,560,514. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date                                 | \$17,828,606                      | -                                |
| Differences between Expected and Actual Experience                                   | -                                 | -                                |
| Changes of Assumptions   | -                                 | -                                |
| Net Differences between Projected and Actual Earnings on<br>Pension Plan Investments | -                                 | (\$53,316,685)                   |
| Total  | \$17,828,606                      | (\$53,316,685)                   |

\$17,828,606 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>June 30 | Annual<br>Amortization |
|-----------------------|------------------------|
| 2016                  | (\$13,329,171)         |
| 2017                  | (13,329,171)           |
| 2018                  | (13,329,171)           |
| 2019                  | (13,329,172)           |

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|---|
| <b>NOTE 12 – OTHER CITY PENSION PLANS</b> |
|---|

**A. Plan Descriptions and Funding Policies**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the City's pension plans. The incremental property tax revenue received for the year ended June 30, 2015 was \$4,584,426, and the City used the funds to pay the General Pension Plan and the Police and Firemen's Pension Plan contributions of \$16,091 and \$740,235, respectively.

**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. Management of the Plan is vested in the General Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of five members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, and two members to be elected every five years by secret ballot vote of the rank and file of Plan employees and of Plan employees who have retired and are receiving pensions from the Plan. Four members of the General Pension Board are to be concurred in by four members.

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the average annual salary attached to the position held by the retiree during the three years prior to the date of retirement. Surviving spouses receive 100% of the retiree's pension. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are an automatic increase of 2% per year. City Council may grant additional increases of up to 3% per year to bring the total increase in a given year to 5%.

**Police and Firemen's Pension Plan** – Funding for the Plan is provided from the Secured Pension Override Special Revenue 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. Management of the Plan is vested in the Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of four members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, one representative of the Police Department and one representative of the Fire Department.

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the annual salary attached to the rank or position held by the retiree one year prior to the date of retirement. Surviving spouses receive 100% of the retiree's pension. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are an increase each year for changes in the salary attached to the retiree's rank in the year before retirement.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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| <b>NOTE 12 – OTHER CITY PENSION PLANS (Continued)</b> |
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**Garfield Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Plan provisions have been established and may be amended upon agreement between the City and Mr. Garfield. Management of the Plan is vested in the City Council.

Mr. Garfield’s pension and any continuation to his spouse receive the same cost-of-living increases as the City’s police employees covered by CalPERS. (CalPERS cost-of-living increases include a 2% per year increase, subject to CPI increase constraints, and purchasing power protection through the CalPERS Purchasing Power Protection Allowance.) Mr. Garfield’s surviving spouse receives 50% of the retiree’s pension.

**B. 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. Administrative costs for all plans, except the investment management fees of the Police and Fireman’s Pension Plan, are paid by the City’s General Fund. The investment management fees are financed through investment earnings. Assets are valued at fair value based on available market information obtained from independent sources.

**C. Pension Plan Assets**

At June 30, 2015 the pension plans reported assets available for benefits as shown below. For actuarial purposes, the value of the Plans’ assets were determined to be fair value.

|   |                            |
|---|----------------------------|
| City of Richmond Investment Pool                          | \$2,438,020                |
| Local Agency Investment Fund (Garfield Plan)              | 172,439                    |
| Wellington Trust Company Fund (Police and Firemen’s Plan) | <u>13,355,777</u>          |
| Assets available for benefits at June 30, 2015            | <u><u>\$15,966,236</u></u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**Investment Policies**

The General Pension and Police and Firemen's Pension Plans' policies in regard to the allocation of invested assets is established and may be amended by Resolution of the respective Boards. The Plans allow investments in the following:

- (a) In investments which are authorized by General law for savings banks.
- (b) In investments other than those specified in subdivision (a) hereof, including, but not limited to, corporate bonds and securities, common stocks, preferred stocks, investments in real estate and investment trusts, provided that the total amount invested pursuant to this subdivision shall not exceed fifty percent (50%) of the total amount of funds invested pursuant to this section, and provided further that the following conditions are met:
  - (1) Any stocks or other corporate securities, in which funds are invested, except stocks of banks, insurance companies or mutual funds, shall be registered on a national securities exchange as provided by the Federal Securities Exchange Act.
  - (2) The total amount invested in common and preferred stocks shall not exceed at cost at the time of purchase twenty-five percent of the total amount invested pursuant to this section.
  - (3) The total amount invested in the common and preferred stocks of any one company shall not exceed at cost of the time of purchase two percent of the total amount invested pursuant to this section and shall not exceed five percent of the outstanding preferred or common stock of that company.
  - (4) No funds shall be invested in the common stocks of any company unless it has paid cash dividends on such stocks in eight of the ten years immediately preceding its purchase by the Board.
  - (5) No funds shall be invested in the stocks or other securities of any company other than a bank or insurance company unless it has assets of at least one hundred million dollars (\$100,000,000), or in the stocks or other securities of a bank or insurance company unless it has assets of at least fifty million dollars (\$50,000,000).
  - (6) The total amount invested in real estate and other than real estate owned by or leased to the City of Richmond, which amount may include land, buildings, land and buildings or real estate loans, shall not exceed twenty-five percent of the total amount invested pursuant to this section and such investments shall be restricted to first trust deeds which are insured by the Federal Housing Administration or which are guaranteed by the Veterans Administration.

The Garfield Pension Plan does not have a separate investment policy, therefore it uses the City's investment policy.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**Interest, Credit and Concentration 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. The City invests in equities which may be drawn down as needed, subject to terms of the underlying trust agreement. The investments held in the Pension Trust Funds all mature in less than one year.

*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. As of June 30, 2015 the investments in the Pension Trust Funds were not rated.

*Concentration risk* states that significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are required to be disclosed when they exceeds five percent of the total pension investments. Only the Police and Fire Pension Plan had investment concentration risk and such investments were as follows at June 30, 2015:

| Issuer   | Type of Investment | Amount      |
|--|--------------------|-------------|
| CIF II Core Bond Series 1 Equity               | Equity Fund        | \$2,694,945 |
| CIF Research Equity                            | Equity Fund        | 3,287,899   |
| CIF Opportunistic Investment Allocation Equity | Equity Fund        | 2,398,425   |
| CIF International Research Equity              | Equity Fund        | 2,502,277   |
| CIF Global Contrarian Equity                   | Equity Fund        | 1,653,753   |
| CIF Small Cap Quant Equity                     | Equity Fund        | 818,479     |

**Rate of Return**

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Police and Firemen's, General Pension and Garfield Pension Plans was 2.4%, 0.3% and 0.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**D. Net Pension Liability of the Plans**

The components of the net pension liability of the City for each of the Plans is the total pension liability, less each Plan's fiduciary net position.

*Actuarial Assumptions.* The total pension liability as of June 30, 2015 was determined based on June 30, 2015 actuarial valuations, using the following actuarial assumptions applied to all periods included in the measurement:

|   | <b>Police and Firemen's<br/>Plan</b> | <b>General<br/>Pension Plan</b> | <b>Garfield<br/>Pension Plan</b> |
|---|--------------------------------------|---------------------------------|----------------------------------|
| Discount rate, net of investment expenses | 5.75%                                | 3.00%                           | 3.00%                            |
| Expected return on plan assets            | 5.75%                                | 3.00%                           | 3.00%                            |
| Inflation rate                            | 2.75%                                | 2.75%                           | 2.75%                            |
| Cost-of-living increases                  | 3% per year                          | 5% per year                     | 2.75% per year                   |
| Actuarial cost method                     | Entry age                            | Entry age                       | Entry age                        |
| Salary increases                          | N/A                                  | N/A                             | N/A                              |

Mortality rates were based on the California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001-2011 experience).

Changes of assumptions that affected the measurement of the total pension liability since the prior measurement date of June 30, 2014 for each Plan were:

**Police and Firemen's Plan:**

- The inflation rate was updated from 3.25% to 2.75% to reflect updated economic conditions and forward-looking expectations.
- The discount rate was updated from 6.75% to 5.75% to reflect updated economic conditions and forward looking expectations.
- The cost-of-living increase was updated from an ultimate rate of 4.25% to 3.00% to reflect the terms of the most recent Memorandum of Understanding (MOU) provisions.
- The mortality rates were updated to the CalPERS tables from the most recent experience study to reflect mortality improvements.

**General Pension Plan:**

- The inflation rate was updated from 3.25% to 2.75% to reflect updated economic conditions and forward-looking expectations.
- The discount rate was updated from 3.75% to 3.00% to reflect updated economic conditions and forward looking expectations.
- The mortality rates were updated to the CalPERS tables from the most recent experience study to reflect mortality improvements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

Garfield Pension Plan:

- The inflation rate was updated from 3.25% to 2.75% to reflect updated economic conditions and forward-looking expectations.
- The discount rate was updated from 3.75% to 3.00% to reflect updated economic conditions and forward looking expectations.
- The cost-of-living increase was updated from an ultimate rate of 3.25% to 2.75% to be consistent with the inflation assumption.
- The mortality rates were updated to the CalPERS tables from the most recent experience study to reflect mortality improvements.

*Discount Rates.* The discount rates used to measure the total pension liability for the Police and Firemen's Pension Plan, General Pension Plan and Garfield Pension Plan were 5.75%, 3.00%, and 3.00%, respectively, and the discount rates as of June 30, 2014 were 6.75%, 3.75% and 3.75%, respectively.

For the Police and Firemen's Pension Plan, based on the 5 previous years the City has on average contributed 58% of the Actuarially Determined Contribution (ADC). A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 58% of the ADC is contributed to the Plan in future years; (3) assuming that future contribution losses are amortized according to the Plan's funding policy; (4) using the Plan's assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.75% (using as a municipal bond rate source the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2015) after the projected asset depletion. Based on these parameters, plan assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the Plan's long-term expected rate of return of 5.75% was used as the discount rate.

Based on the 5 previous years the City has on average contributed 93% and 77% of the Actuarially Determined Contribution (ADC) for the General Pension Plan and Garfield Pension Plan, respectively. A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 93% of the ADC is contributed to the General Pension Plan and 77% of the ADC is contributed to the Garfield Pension Plan in future years; (3) assuming that future contribution losses are amortized according to the Plans' funding policies; (4) using the Plans' assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.75% (using as a municipal bond rate source the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2015) after the projected asset depletion. Based on these parameters, each of the Plan's assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the long-term expected rate of return of 3.00% was used as the discount rate for each of these Plans.

The long-term expected rate of return on pension plan investments was determined for each Plan using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the Plans' asset allocation as of the measurement date are summarized below:

| Asset Class                              | Allocation at<br>Measurement<br>Date | Long-Term<br>Expected Real<br>Rate of Return | Long-Term<br>Expected<br>Nominal Rate<br>of Return |
|--|--------------------------------------|--|--|
| <i>Police and Firemen's Plan:</i>        |                                      |  |  |
| Domestic Equity                          | 55%                                  | 5.00%  | 7.75%  |
| International Equity                     | 0%                                   | 5.00%  | 7.75%  |
| Fixed Income                             | 35%                                  | 1.75%  | 4.50%  |
| Real Estate and Alternatives             | 0%                                   | 4.00%  | 6.75%  |
| Cash and Equivalents                     | 10%                                  | 0.25%  | 3.00%  |
| Total (weighted avg, rounded<br>to 1/4%) | <u>100%</u>                          | 3.50%  | 6.25% (1)  |
| <i>General Pension Plan:</i>             |                                      |  |  |
| Domestic Equity                          | 0%                                   | 5.00%  | 7.75%  |
| International Equity                     | 0%                                   | 5.00%  | 7.75%  |
| Fixed Income                             | 0%                                   | 1.75%  | 4.50%  |
| Real Estate and Alternatives             | 0%                                   | 4.00%  | 6.75%  |
| Cash and Equivalents                     | 100%                                 | 0.25%  | 3.00%  |
| Total (weighted avg, rounded<br>to 1/4%) | <u>100%</u>                          | 0.25%  | 3.00%  |
| <i>Garfield Pension Plan:</i>            |                                      |  |  |
| Domestic Equity                          | 0%                                   | 5.00%  | 7.75%  |
| International Equity                     | 0%                                   | 5.00%  | 7.75%  |
| Fixed Income                             | 0%                                   | 1.75%  | 4.50%  |
| Real Estate and Alternatives             | 0%                                   | 4.00%  | 6.75%  |
| Cash and Equivalents                     | 100%                                 | 0.25%  | 3.00%  |
| Total (weighted avg, rounded<br>to 1/4%) | <u>100%</u>                          | 0.25%  | 3.00%  |

(1) The preliminary return for the Police and Firemen's Plan of 6.25% was then reduced by 50 basis points to 5.75% in order to reflect the effect of expected investment expense.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**E. Changes in the Net Pension Liability of Each Plan**

The net pension liability of each Plan is measured as of June 30, 2015 as follows:

**Police and Firemen's Plan:**

|   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/(Asset) |
| <b>Balance at June 30, 2014</b>                               | \$23,237,147               | \$16,681,824                   | \$6,555,323                      |
| <b>Changes in the year:</b>                                   |                            |                                |                                  |
| Service cost  |                            |                                | 0                                |
| Interest on the total pension liability                       | 1,464,746                  |                                | 1,464,746                        |
| Differences between actual and expected experience            | (323,462)                  |                                | (323,462)                        |
| Changes in assumptions  | 1,380,854                  |                                | 1,380,854                        |
| Changes in benefit terms                                      |                            |                                | 0                                |
| Contribution - employer                                       |                            | 740,235                        | (740,235)                        |
| Contribution - employee                                       |                            |                                | 0                                |
| Net investment income   |                            | 369,240                        | (369,240)                        |
| Administrative expenses                                       |                            |                                | 0                                |
| Benefit payments, including refunds of employee contributions | (3,074,421)                | (3,074,421)                    | 0                                |
| <b>Net changes</b>  | <u>(552,283)</u>           | <u>(1,964,946)</u>             | <u>1,412,663</u>                 |
| <b>Balance at June 30, 2015</b>                               | <u>\$22,684,864</u>        | <u>\$14,716,878</u>            | <u>\$7,967,986</u>               |

Plan fiduciary net position as a percentage of the total pension liability 64.9%

**General Pension Plan:**

|   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/(Asset) |
| <b>Balance at June 30, 2014</b>                               | \$3,775,051                | \$1,043,196                    | \$2,731,855                      |
| <b>Changes in the year:</b>                                   |                            |                                |                                  |
| Service cost  |                            |                                | 0                                |
| Interest on the total pension liability                       |                            |                                | 0                                |
| Differences between actual and expected experience            | 128,954                    |                                | 128,954                          |
| Changes in assumptions  | 345,786                    |                                | 345,786                          |
| Changes in benefit terms                                      | 322,312                    |                                | 322,312                          |
| Contribution - employer                                       |                            | 602,970                        | (602,970)                        |
| Contribution - employee                                       |                            |                                | 0                                |
| Net investment income   |                            | 2,017                          | (2,017)                          |
| Administrative expenses                                       |                            |                                | 0                                |
| Benefit payments, including refunds of employee contributions | (672,546)                  | (672,546)                      | 0                                |
| <b>Net changes</b>  | <u>124,506</u>             | <u>(67,559)</u>                | <u>192,065</u>                   |
| <b>Balance at June 30, 2015</b>                               | <u>\$3,899,557</u>         | <u>\$975,637</u>               | <u>\$2,923,920</u>               |

Plan fiduciary net position as a percentage of the total pension liability 25.0%

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

| <i>Garfield Pension Plan:</i>   | Increase (Decrease)        |                                |                                  |
|---|----------------------------|--------------------------------|----------------------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/(Asset) |
| <b>Balance at June 30, 2014</b>   | \$807,034                  | \$259,887                      | \$547,147                        |
| <b>Changes in the year:</b>   |                            |                                |                                  |
| Service cost  |                            |                                | 0                                |
| Interest on the total pension liability                                       | 28,597                     |                                | 28,597                           |
| Differences between actual and expected experience                            | (45,458)                   |                                | (45,458)                         |
| Changes in assumptions  | 64,544                     |                                | 64,544                           |
| Changes in benefit terms  |                            |                                | 0                                |
| Contribution - employer   |                            | 102,140                        | (102,140)                        |
| Contribution - employee   |                            |                                | 0                                |
| Net investment income   |                            | 577                            | (577)                            |
| Administrative expenses   |                            |                                | 0                                |
| Benefit payments, including refunds of employee contributions                 | (88,883)                   | (88,883)                       | 0                                |
| <b>Net changes</b>  | (41,200)                   | 13,834                         | (55,034)                         |
| <b>Balance at June 30, 2015</b>   | \$765,834                  | \$273,721                      | \$492,113                        |
| Plan fiduciary net position as a percentage of<br>the total pension liability |                            |                                | 35.7%                            |
| <b>Totals - Other City Pension Plans</b>                                      | <b>\$27,350,255</b>        | <b>\$15,966,236</b>            | <b>\$11,384,019</b>              |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City for each of the Plans, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|                       | <b>Police and<br/>Firemen's</b> | <b>General<br/>Pension Plan</b> | <b>Garfield<br/>Pension Plan</b> |
|-----------------------|---------------------------------|---------------------------------|----------------------------------|
| 1% Decrease           | 4.75%                           | 2.00%                           | 2.00%                            |
| Net Pension Liability | \$9,293,034                     | \$3,124,354                     | \$536,265                        |
| Current Discount Rate | 5.75%                           | 3.00%                           | 3.00%                            |
| Net Pension Liability | \$7,967,986                     | \$2,923,920                     | \$492,113                        |
| 1% Increase           | 6.75%                           | 4.00%                           | 4.00%                            |
| Net Pension Liability | \$6,776,184                     | \$2,741,540                     | \$451,990                        |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

*F. Actuarially Determined Contributions*

As of June 30, 2015, the date of the most recent actuarial valuations, the actuarially determined contributions for each Plan were determined using the entry-age normal cost method and the assumptions in Note 12B above.

For the Police and Firemen’s Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 10-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 58% of the Actuarially Determined Contribution.

For the General Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 6-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 93% of the Actuarially Determined Contribution.

For the Garfield Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 7-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 77% of the Actuarially Determined Contribution.

The Actuarially Determined Contribution and the actual contributions for each Plan for the year ended June 30, 2015 are presented below:

|                                   | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Amount<br/>Contributed</u> | <u>Percent<br/>Contributed</u> |
|-----------------------------------|--|-------------------------------|--------------------------------|
| Police and Firemen's Pension Plan | \$740,235  | \$740,235                     | 100%                           |
| General Pension Plan              | \$602,970  | \$602,970                     | 100%                           |
| Garfield Pension Plan             | \$102,140  | \$102,140                     | 100%                           |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**G. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense for each of the Plans as follows:

|                           | Pension<br>Expense |
|---------------------------|--------------------|
| Police and Firemen's Plan | \$1,610,495        |
| General Pension Plan      | 766,397            |
| Garfield Pension Plan     | 39,573             |
| Total                     | \$2,416,465        |

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for these Plans from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | -                                 | -                                |
| Differences between Expected and Actual Experience   | -                                 | -                                |
| Changes of Assumptions                               | -                                 | -                                |
| Net Differences between Projected and Actual         |                                   |                                  |
| Earnings on Pension Plan Investments                 | \$578,575                         | \$0                              |
| Total  | \$578,575                         | \$0                              |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>June 30 | Annual<br>Amortization |
|-----------------------|------------------------|
| 2016                  | \$144,644              |
| 2017                  | 144,644                |
| 2018                  | 144,644                |
| 2019                  | 144,643                |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**H. Plan Financial Statements**

The Statement of Net Position for the Plans at June 30, 2015 follows:

|  | <u>Police and<br/>Fireman's<br/>Pension</u> | <u>General<br/>Pension</u> | <u>Garfield<br/>Pension</u> |
|--|---|----------------------------|-----------------------------|
| <b>ASSETS</b>                              |   |                            |                             |
| Pension plan cash and investments:         |   |                            |                             |
| City of Richmond Investment Pool           | \$1,361,101                                 | \$975,637                  | \$101,282                   |
| Local Agency Investment Fund               |   |                            | 172,439                     |
| Mutual Fund Investments                    | <u>13,355,777</u>                           |                            |                             |
| Total Assets                               | <u>14,716,878</u>                           | <u>975,637</u>             | <u>273,721</u>              |
| <b>NET POSITION</b>                        |   |                            |                             |
| Restricted for employees' pension benefits | <u>\$14,716,878</u>                         | <u>\$975,637</u>           | <u>\$273,721</u>            |

The Statement of Changes in Plan Net Position for the year ended June 30, 2015 follows:

|  | <u>Police and<br/>Fireman's<br/>Pension</u> | <u>General<br/>Pension</u> | <u>Garfield<br/>Pension</u> |
|--|---|----------------------------|-----------------------------|
| <b>ADDITIONS</b>   |   |                            |                             |
| Net investment income:                                   |   |                            |                             |
| Net increase (decrease) in the fair value of investments | \$162,654                                   |                            |                             |
| Interest income  | 309,623                                     | \$2,016                    | \$576                       |
| Investment management fees                               | (103,037)                                   |                            |                             |
| Contribution from the City                               | <u>740,235</u>                              | <u>602,970</u>             | <u>102,140</u>              |
| Total Additions  | <u>1,109,475</u>                            | <u>604,986</u>             | <u>102,716</u>              |
| <b>DEDUCTIONS</b>  |   |                            |                             |
| Pension benefits   | <u>3,074,421</u>                            | <u>672,545</u>             | <u>88,882</u>               |
| Total Deductions   | <u>3,074,421</u>                            | <u>672,545</u>             | <u>88,882</u>               |
| Net Increase (Decrease)                                  | (1,964,946)                                 | (67,559)                   | 13,834                      |
| <b>NET POSITION RESTRICTED FOR PENSIONS</b>              |   |                            |                             |
| Beginning of year  | <u>16,681,824</u>                           | <u>1,043,196</u>           | <u>259,887</u>              |
| End of year  | <u>\$14,716,878</u>                         | <u>\$975,637</u>           | <u>\$273,721</u>            |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

***I. PARS Defined Contribution Plan***

Effective July 1, 2014, the City contracted with the Public Agency Retirement System (PARS), to sponsor a Section PARS 457 FICA Alternative Retirement Plan created in accordance with IRC Sections 3121(b)(7)(F) and 457(b), which is a qualified defined contribution pension plan covering all eligible part-time, seasonal and temporary employees of the City on that date and hired thereafter.

The Plan requires these employees to contribute 6.2% and the City to contribute 1.3% of the employees pay plus administration costs. The City's required contributions of \$11,193 and the employees' required contributions of \$37,457 were made during the fiscal year ending June 30, 2015.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Provisions**

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City's eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, the following eligibility rules and contribution requirements apply for future retirees, followed by current retirees:

| Plan Provisions for Future Retirees                           |  |   |
|---|--|---|
| Classification  | Eligibility (Age/Service)  | Monthly Premium Paid by City Before/After Medicare Eligibility  |
| SEIU Local 1021   | Service Retirement:<br>50/20, 51/18, 52/16, 53/14, 54/12,<br>55/10<br>Disability Retirement: any age/10          | Retiree only or surviving spouse: the lesser of \$435 and medical premium<br>Retiree +1 or more: the lesser of \$567 and medical premium<br>Plus PEMHCA Minimum: \$122<br>Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans  |
| IFPTE, Miscellaneous<br>Executive Management,<br>City Council | Service Retirement:<br>Same as SEIU  | Retiree only or surviving spouse: the lesser of \$435 and medical premium<br>Retiree +1 or more: the lesser of \$567 and medical premium<br>Plus PEMHCA Minimum: \$122  |
| Fire Local 188  | 35/15  | Percentage of premium for retiree/dependents/surviving spouse up to 2nd highest premium plan. Percentage is 90%, increased to 100% after 27 years of service  |
| Fire Management and Fire<br>Executive Management              | 35/10  | Percentage of premium for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 80%, increased to 90% after 15 years of service and 100% after 25 years of service  |
| Richmond Police Officer<br>Association (RPOA)                 | 10 years of service<br>Service includes non City service<br>Minimum 5 years City Service                         | Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service<br>Plus PEMHCA Minimum: \$122<br>City also pays 100% of dental and vision premiums. |
| Police Widows   | Death in line of duty  | Full premium  |
| Police Management and Police<br>Executive Management          | 50/20, 51/18, 52/16, 53/14, 54/12,<br>55/10<br>Service includes non City service<br>Minimum 5 years City Service | Percentage of premium for retiree/dependents/surviving spouse up to Kaiser (1) (Pre Medicare) and 2nd highest premium plan (post Medicare). Percentage is 65%, increased to 75% after 20 years of service, and 100% after 25 years of service<br>Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans   |

- (1) Effective for retirements on January 1, 2007 or later. Prior to that time, reimbursement is based on the 2<sup>nd</sup> highest premium plan.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

| <b>Plan Provisions for Current Retirees</b>  |   |  |
|--|---|--|
| <b>Classification</b>                        | <b>Subgroup</b>                           | <b>Monthly Premium Reimbursement Before/After Medicare Eligibility</b>   |
| SEIU Local 1021                              | Retired July 1, 2007 or later             | Same as future retirees  |
|  | Retired prior to July 1, 2007             | Same as future retirees but caps are<br>Retiree only or surviving spouse: \$244/\$202<br>Retiree +1 or more: \$364/\$304   |
| IFPTE, Miscellaneous<br>Executive Management | Retired July 1, 2007 or later             | Same as future retirees  |
|  | Retired November 5, 1999 to June 30, 2007 | Same as future retirees but caps are<br>Retiree only or surviving spouse: \$244/\$202<br>Retiree +1 or more: \$364/\$304   |
|  | Retired before November 5, 1999           | Same as future retirees but caps are<br>Retiree only or surviving spouse: \$144/\$102<br>Retiree +1 or more: \$264/\$204   |
| Fire Local 188                               |   | Same as future retirees  |
| Fire Management                              | Retire on or after 7/1/2006               | Same as future retirees  |
|  | Retire before 7/1/2006                    | Eligible at 35/15<br>Percentage of premium for retiree/dependents/surviving spouse up to Kaiser premium for coverage. Percentage is 90%, increased to 100% after 27 years of service |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

| <b>Plan Provisions for Current Retirees (Continued)</b> |  |   |
|---|--|---|
| <b>Classification</b>                                   | <b>Subgroup</b>                        | <b>Monthly Premium Reimbursement Before/After Medicare Eligibility</b>  |
| Richmond Police Officer Association (RPOA)              | Retire on or after 7/1/2008            | Same as future retirees   |
|   | Retired between 7/1/2004 and 6/30/2008 | Same as future retirees<br>Reimbursement capped at \$614  |
|   | Retired between 7/1/1997 and 6/30/2004 | Same as future retirees<br>Reimbursement capped at \$550  |
|   | Retired between 7/1/1994 and 6/30/1997 | Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service<br>Premium paid for dental and vision   |
|   | Retired before 7/1/1994                | Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service<br>Reimbursement capped at \$210 for single coverage and \$300 for 2-party coverage<br>Premium paid for dental and vision   |
| Police Management and Police Executive Management       | Retired on or after 7/1/2008           | Same as future retirees   |
|   | Retired between 1/1/1995 and 6/30/2008 | Percentage of premium for retiree/dependents/surviving spouse. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service.<br>Retired after 1/1/2007 - Reimbursement capped at Kaiser premium for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected<br>Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan for coverage selected<br>Reimbursement allowed towards non-PERS plans |
|   | Retired before 1/1/1995                | Single: \$120/\$85<br>2-Party: \$220/\$170  |

For retirees eligible to continue health benefits, but failing to meet the criterion in the tables above, the City pays the Public Employees Medical and Hospital Care Act (PEMHCA) minimum, which is \$122 in 2015.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***B. Funding Policy and Actuarial Assumptions***

In fiscal year 2010, the City hired an actuary to prepare a study to determine the unfunded liability of these benefits for both active employees and retirees. The study indicated that as of July 1, 2013, the unfunded actuarial liability was estimated to be \$125,461,000. The study indicated that as of July 1, 2013, the actuarial accrued liability was estimated to be \$126,447,000. During the year ended June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (PARS). The balance in the City's PARS trust account as of June 30, 2015 was \$344,677. PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA, 92660.

The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. In December 2014, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City's minimum reserve policy (7%) in an effort to pay down the unfunded liability. There was no surplus in fiscal year 2015 to provide such additional funding contributions. The fiscal year 2015 annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4% investment rate of return, (b) 3.25% projected annual salary increase (c) inflation rate of 3%, and (d) health care cost trend rates of 5.00-8.3% for medical and 4.25% for dental. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis (26 years remaining at July 1, 2013). Assumption changes and experience gains and losses after July 1, 2009 are amortized over closed 15-year periods starting July 1, 2011 as a level percentage of pay.

***C. Funding Progress and Funded Status***

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2015, the City contributed \$3,367,557 to the Plan for pay-as-you-go premiums and an additional \$521,540 was contributed to the Plan, which in total represented 4.7% of the \$72,303,068 of covered payroll. As a result, the City has recorded the Net OPEB Obligation, representing the difference between the ARC and actual contributions, as presented below:

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

|  |                            |
|--|----------------------------|
| Annual required contribution               | \$13,268,000               |
| Interest on net OPEB obligation            | 1,170,000                  |
| Adjustment to annual required contribution | <u>(2,357,000)</u>         |
| Annual OPEB cost                           | 12,081,000                 |
| Contributions made:                        |                            |
| Pay as you go (premiums paid)              | (3,367,557)                |
| Paid to Trust                              | <u>(521,540)</u>           |
| Change in net OPEB obligation              | 8,191,903                  |
| Net OPEB obligation June 30, 2014          | <u>30,883,892</u>          |
| <b>Net OPEB obligation June 30, 2015</b>   | <u><u>\$39,075,795</u></u> |

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2013, amounted to \$126,447,000.

The Plan's annual required contributions and actual contributions for the fiscal year are set forth below:

| Fiscal<br>Year | Annual<br>OPEB<br>Cost | Actual<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation<br>(Asset) |
|----------------|------------------------|------------------------|---|-----------------------------------|
| 6/30/2015      | \$12,081,000           | \$3,889,097            | 32%   | \$39,075,795                      |

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Entry Age<br>Actuarial<br>Accrued<br>Liability<br>(B) | Overfunded<br>(Underfunded)<br>Actuarial<br>Accrued<br>Liability<br>(A - B) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | Overfunded<br>(Underfunded)<br>Actuarial<br>Liability as<br>Percentage of<br>Covered Payroll<br>[(A - B)/C] |
|--------------------------------|--|---|---|--------------------------|---------------------------|---|
| 7/1/2013                       | \$986,000                              | \$126,447,000   | (\$125,461,000)   | 1%                       | \$71,393,000              | -176%   |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 14 – DEFERRED COMPENSATION PLAN**

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

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

**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

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

| Type of Coverage             | Self-Insurance / Deductible   | Coverage Limit  | Insurance Carrier  |
|------------------------------|---|---|--|
|                              | Earthquake: 10% pre-1970, 5% post-1970 of total insured value of each building; minimum \$100,000 |   |  |
| Difference in Conditions     | All others: \$25,000  | \$50,000,000 inclusive of deductible                                    | Various<br>National Union Fire<br>Insurance Company of<br>Pittsburgh, PA |
| Crime/Employee Dishonesty    | \$10,000 per claim  | \$1,000,000 inclusive of deductible                                     |  |
| Property                     | \$10,000 per claim  | \$1,000,000,000 inclusive of deductible<br>\$25,000,000 limit for flood | Various  |
| Boiler and Machinery         | \$5,000 per claim   | \$100,000,000 inclusive of deductible                                   | Lexington  |
| Port Liability               | \$25,000 per claim  | \$50,000,000 inclusive of deductible                                    | Various  |
| Special Events Program       | N/A   | \$1,000,000 per occurrence; \$2,000,000 aggregate                       | Evanston Insurance   |
| Excess Workers' Compensation | \$750,000 per claim   | Statutory limit   | Various  |
| Student Volunteer            | N/A   | \$50,000 limit  | Ace American   |
| Pollution Liability          | \$250,000 per claim   | \$20,000,000 inclusive of deductible                                    | Ace - Illinois Union   |
| Cyber Liability              | \$100,000 per claim   | \$2,000,000 limit   | Various  |
| Pollution Liability          | \$75,000 per claim  | \$1,000,000 limit   | Various  |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 15 - RISK MANAGEMENT (Continued)**

**CJPRMA**

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint powers agreement with the City as follows:

| <u>Type of Coverage (Deductible)</u> | <u>Coverage Limits</u> |
|--------------------------------------|------------------------|
| Liability (\$500,000)                | \$40,000,000           |
| Employment Practices (\$500,000)     | 8,000,000              |

Once the self-insured retention is exhausted on each claim, CJPRMA becomes responsible for payment of future expenses related to the claim. The City paid contributions of \$675,666 for the year ended June 30, 2015. 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 CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

**CSAC-EIA**

CSAC-EIA is a public entity risk pool of cities and counties within California. The CSAC-EIA provides workers' compensation coverage up to the statutory limit and the City retains a self-insured retention of \$750,000. Loss contingency reserves established by the CSAC-EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC-EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid contributions of \$297,511 for the year ended June 30, 2015. CSAC-EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC-EIA is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC-EIA are available from CSAC-EIA, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

**Housing Authority Insurance Group**

The Housing Authority is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority joined together with other entities and participates in the Housing Authority Insurance Group, a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the Housing Authority Insurance Group is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The Authority pays annual premiums to Housing Authority Insurance Group for its property damage insurance as follows:

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 15 - RISK MANAGEMENT (Continued)**

| Property              | Building and<br>Personal<br>Property Premium | Annual<br>Premium | Deductible |
|-----------------------|--|-------------------|------------|
| Triangle Court        | \$15,766                                     | \$16,905          | \$25,000   |
| Nevin Plaza (#1)      | 24,051                                       | 25,787            | 25,000     |
| Friendship Manor      | 9,798  | 10,506            | 25,000     |
| Hacienda              | 15,766                                       | 16,905            | 25,000     |
| Nystrom Village       | 15,766                                       | 16,905            | 25,000     |
| Administration Office | 7,928  | 8,500             | 25,000     |

All of the Housing Authority properties are included for general liability coverage under the CJPRMA program.

**Liability for Self Insured Claims**

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 is based on case reserves and include amounts for claims incurred but not reported (IBNR), and is recorded in the Insurance Reserves Internal Service Fund. At June 30, 2015, the estimated claims payable of \$29,583,740, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, have been recorded in the Insurance Reserves Internal Service Fund. The claims payable are reported at their present value using expected future investment yield assumptions of 3% and an 80% confidence level. The undiscounted claims totaled \$30,040,647 at June 30, 2015. Changes in the claims liabilities for the years ended June 30, 2015 and 2014 were as follows:

|  | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|
| Claims liabilities, beginning of year      | \$25,697,150               | \$22,263,463               |
| Current year claims                        | 8,931,978                  | 8,724,227                  |
| Change in prior year claims                | 4,661,085                  | 4,990,145                  |
| Claim payments                             | (5,969,331)                | (5,657,087)                |
| Legal, administrative and other expenses   | <u>(3,737,142)</u>         | <u>(4,623,598)</u>         |
| <b>Claims liabilities, end of year</b>     | <b><u>\$29,583,740</u></b> | <b><u>\$25,697,150</u></b> |
| <b>Claims liabilities, due in one year</b> | <b><u>\$7,919,524</u></b>  | <b><u>\$6,841,295</u></b>  |

For the years ended June 30, 2015, 2014 and 2013 the amount of settlements did not exceed insurance coverage.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

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

Fiscal 2015 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

**Condensed Statement of Net Position**

|                                  |             |
|----------------------------------|-------------|
| Assets:                          |             |
| Current assets                   | \$3,327,637 |
| Capital assets                   | 1,693,522   |
| Total assets                     | 5,021,159   |
| Liabilities:                     |             |
| Current liabilities              | 276,767     |
| Long-term liabilities            | 2,783,127   |
| Total liabilities                | 3,059,894   |
| Net position:                    |             |
| Net investment in capital assets | (1,167,667) |
| Unrestricted                     | 3,128,932   |
| Total net position               | \$1,961,265 |

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

|  |             |
|--|-------------|
| Operating revenues:                              |             |
| Lease income                                     | \$488,201   |
| Operating expenses:                              |             |
| General and administrative                       | (20,824)    |
| Depreciation                                     | (85,196)    |
| Operating income                                 | 382,181     |
| Nonoperating revenues (expenses):                |             |
| Interest income                                  | 9,506       |
| Interest expense                                 | (129,034)   |
| Income (Loss) Before Contributions and Transfers | 262,653     |
| Transfers out                                    | (100,000)   |
| Change in net position                           | 162,653     |
| Beginning net position                           | 1,798,612   |
| Ending net position                              | \$1,961,265 |

**Condensed Statement of Cash Flows**

|   |             |
|---|-------------|
| Net cash provided (used) by:                |             |
| Operating activities                        | \$454,229   |
| Noncapital and related financing activities | (100,000)   |
| Capital and related financing activities    | (206,815)   |
| Investing activities                        | 10,137      |
| Net increase                                | 157,551     |
| Beginning cash and investments              | 3,104,841   |
| Ending cash and investments                 | \$3,262,392 |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

**A. *Lease and Construction Commitments***

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City's original lease was a three year lease which expired on December 31, 2009, and it had an option to renew for five (5) one year periods until December 31, 2014. In October 2014, the City and DiCon Fiberoptics, Inc. entered into a new five year lease extension with the term commencing January 1, 2015 through December 31, 2019, with an option to renew for five (5) one year periods until December 31, 2024. The lease calls for minimum monthly lease payments of \$97,644.

The City's future commitments under construction and other projects totaled approximately \$73.5 million at June 30, 2015 for various projects.

**B. *Litigation***

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have a significant adverse effect on the City's or RHA Properties' financial position, with two potential exceptions noted below:

In March 2012, a developer and an associated entity filed a complaint in federal court against the United States of America, two individuals, and the City contending breach of contract related to a Land Disposition Agreement (LDA) between the developer and the City for the development of City-owned property for a specific use. The developer and associated entity seek damages of \$30 million as well as lost profits of over \$750 million. The City disputes the allegations and contends that the LDA did not commit the developer or the City to develop the property for the specific use and that the developer's right to move forward with the development was subject to various federal approvals. The City had filed a separate lawsuit in state court against the developer seeking declaratory relief that the City did not breach the LDA, but that lawsuit was stayed by the state court judge pending resolution of the federal action. The City may be negatively impacted should the court rule in favor of the developer and associated entity, however any such impact cannot be determined at this time.

**C. *Grant Programs***

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Programs – Disallowed Costs below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

**D. Grant Programs – Disallowed Costs**

*HOME and CDBG Programs*

During fiscal year 2013, the City was subject to two separate monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Community Development Block Grant (CDBG) activities. In its reports, HUD listed thirteen findings covering various activities performed over a six year period applicable to the programs and disallowed costs approximating \$2.4 million. The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. The negotiations are still in process as of December 2015, and the final amount of disallowed costs cannot be determined at this time.

*Neighborhood Stabilization Program (NSP1)*

During fiscal year 2014, the City was subject to a monitoring visit from the Office of Inspector General of the City's Neighborhood Stabilization Program (NSP1) and received notification in October 2014 from HUD that it was demanding the repayment of \$914,090 for ineligible expenses. In lieu of making a payment to HUD for the return of the ineligible costs, in November 2014, the City requested a grant reduction of \$595,863 in unspent NSP1 funds to be applied towards the finding. In addition, the City requested approval to use the proceeds from income generated from the pending sale of certain NSP1 properties to make up the \$318,227 difference. Given that the NSP1 is governed by CDBG regulations, the City believes that HUD's Voluntary Grant Reductions in Lieu of Repayment for Ineligible CDBG and HOME Activities "Program" applies to NSP1. As of December 2015, the City has not received approval from HUD regarding the treatment of the ineligible costs and the ultimate method of repayment cannot be determined at this time.

*Environmental Protection Agency Program (EPA)*

In May 2014, the City received notification from the U.S. Environmental Protection Agency (EPA) that due to four findings included the fiscal year 2012 Single Audit related to four separate grant programs, the EPA is questioning as unsupported \$1,200,000 in grant expenditures. The notification requires the City to either confirm that the corrective actions to resolve the Single Audit findings were implemented or to repay the grant funds to the EPA. City staff submitted a response to the notification, providing the required documentation and objecting to the claim. The matter is still pending with the EPA as of December 2015, and the final amount of disallowed costs, if any, cannot be determined at this time.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

*HOME and Neighborhood Stabilization Program (NSP3)*

During fiscal year 2015, the City was subject to monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Neighborhood Stabilization Program (NSP3) activities. In its reports, HUD listed three findings (two HOME findings and one NSP3 finding). The findings require the City to repay \$1,089,613 of expended grant funds on the Filbert Phase 2 activity which is not a HOME eligible activity and to repay \$23,070 for expenses disbursed by the City prior to the completion of the required environmental review. The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. The negotiations are still in process as of December 2015, and the final amount of disallowed costs cannot be determined at this time.

**E. *Housing Authority – Easter Hill Project***

The Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and the HOPE VI Revitalization Grant. It is possible that at some future date, it may be determined that the Authority is not in compliance with applicable grant requirements. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

In June 2000, the Richmond Housing Authority received a \$35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development ("HUD") for the revitalization of the former Easter Hill Public Housing Project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the \$35 million dollar HUD grant financed this \$120 million revitalization effort. Physical costs are estimated to be approximately \$108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately \$12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square feet community room with facilities for an after school program, computer center, gymnasium and conference room.

In addition, pursuant to the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded \$14,276,909, representing reimbursement from the developer which had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2015 is \$11,221,743.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site are underway. The remaining 202 rental units at the site have been leased. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. With the exception of one unit at the Cortez site, all homeownership units have been sold.

Due to the City Council's action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority's Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time.

**F. *Disposition of Westridge at Hilltop Apartments***

On May 24, 2013, RHA Properties entered into a Purchase & Sale Agreement (PSA) with Menlo Capital Group, LLC (the Buyer) for the disposition of Westridge at Hilltop Apartments for a price of \$40 million. Upon closure of the disposition on April 15, 2014, title of all capital assets was transferred from RHA Properties to Menlo Westridge Affordable Partners, LP. The gain from the capital assets sale, after charges and costs associated with the sale, was \$12,703,208. According to the sales agreement, at June 30, 2015, \$2,500,000 of sales proceeds were withheld in an escrow account as a repair reserve fund held by the Buyer to be used for repairs within 18 months after closing.

The Buyer, at its sole and absolute discretion will hire third party contractors to implement such repairs. Once the repairs are complete, the Buyer is to submit third part audited and certified invoices to escrow for immediate reimbursement to the Buyer or payment to contractors for such repairs at the Buyer's option. All repairs and reimbursement of repairs from the Repair Reserve Fund Holdback are subject to the Buyer's sole and absolute discretion. RHA Properties has made demands to return the \$2,500,000 based on the passage of 18 months from the closing date of the sale.

Pursuant to the Holdback Agreement, the funds held in escrow were only available to the Buyer within 18 months of closing, which has expired. Management of RHA Properties is of the opinion that they are in a very good position and can expect to collect the \$2,500,000. A lawsuit was filed by the Authority/RHA Properties against the buyer of Westridge at Hilltop Apartments to release the funds and according to the Attorney acting on behalf of RHA Properties, the case is moving along as expected. The repair reserve fund has not been released to RHA Properties as of December 30, 2015.

**G. *RHA Properties – Status of Operations***

RHA Properties having sold Westridge at Hilltop Apartments is at the point of an entity with no activity. It is mainly idle and available to be used in the future. Management currently has no further plans for the entity.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

**H. Point Molate – Pollution Remediation**

In September 2008, the City entered into an Early Transfer Cooperative Agreement (ETCA) with the United States Department of the Navy the (Navy) to facilitate the transfer of 41 acres of property that was formerly the Naval Fuel Depot Point Molate (Point Molate). The ETCA identifies certain known pollution issues with the property, and the Navy is the responsible party. However, under the provisions of the ETCA, the Navy advanced \$28 million to the City representing the estimated cost of cleanup, and the City committed to manage the project. Any pollution found that was not caused by the Navy's use of the land is to be paid by the City, however, as of June 30, 2015, no additional pollution has been identified.

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located the Point Molate along with the 41 acres of which the Navy is to transfer to the City. The Developer is to complete the cleanup on behalf of the City in accordance with the requirements of the ETCA. The City committed to pass-through the funds received from the Navy to the Developer.

In April 2010, the City and Developer entered into an agreement to establish a fiscal agent escrow account to maintain the funds held for the remediation of Point Molate. The funds advanced by the Navy are to be held in escrow with a fiscal agent and the agent is responsible for disbursing funds to the Developer as costs are incurred. The terms of the agreement are effective until a certificate of completion is issued for the remediation of the property.

Under the terms of the agreements with the Navy and the Developer, the City does not retain responsibility for the cleanup of the known pollution. The City is merely acting as a pass-thru of the grant funds from the Navy to the Developer and the activities for the project are reported in the Pt. Molate Private-Purpose Trust Fund.

**I. Other – Major Taxpayer**

In fiscal year 2009, a major business license taxpayer filed a complaint challenging the legality of Measure T, a voter initiative that took effect on January 1, 2009. Measure T amended the City's business license tax calculation for manufacturers. Although the City believed Measure T to be lawful, the court ruled on December 17, 2009 that the tax was unconstitutional. The court ruled in favor of the business license taxpayer awarding a refund of the \$20.5 million Measure T taxes paid. The City filed an appeal, however in May 2010 the taxpayer and the City entered into a settlement agreement in order to achieve certainty in the tax revenue that the City will receive from the taxpayer over the next 15 years. The agreement provides for annual payments from the taxpayer ranging from \$4 million to \$13 million starting July 1, 2011, with payments totaling \$114 million. In addition, the agreement incorporated the prior settlement of a dispute over fiscal year 2006, 2007 and 2008 utility user's taxes totaling \$28 million that was paid in four installments beginning in fiscal year 2009. Payments totaling \$54 million were received under the settlement agreements in fiscal years 2011 through 2015.

In fiscal year 2015, the City entered into an Environmental Community Investment Agreement (ECIA) with the same taxpayer that provides for funding to the City and other community agencies totaling \$80 million over the next ten years. During fiscal year 2015, the City received \$4 million that is restricted for use on pre-approved projects.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

**J. Police Communications Systems**

The City administers a program to provide records management and dispatch services to participating local agencies. The participating agencies, which include the City, are responsible for maintenance and system enhancements. The City is required to account for the enhancement in a separate account which is shown in the Police Telecommunications Internal Service Fund as unearned revenue as of June 30, 2015.

**K. Department of Toxic Substance Control (DTSC) Settlements**

During the fiscal year ended June 30, 2015 the City entered into a settlement agreement with DTSC for the Drew Middle and South Property Richmond Parkway Site. The City disputed the amount of operations and maintenance costs charged by DTSC for the remediation of affected soil at the property. The settlement agreement stipulates that the City will pay DTSC a total of \$31,365 for charges that occurred during fiscal years 1996 through 2013. Monthly installment payments will be made over 24 consecutive months with the first payment due December 15, 2014.

During the fiscal year ended June 30, 2015 the City entered into a settlement agreement with DTSC for the Richmond Parkway Site. The City disputed the amount of operations and maintenance costs charged by DTSC for the remediation of affected soil at the property. The settlement agreement stipulates that the City will pay DTSC a total of \$24,476 for charges that occurred during fiscal years 1996 through 2013. Monthly installment payments will be made over 24 consecutive months with the first payment due December 15, 2014.

The outstanding liabilities payable at year-end related to these settlement agreements were deemed immaterial for presentation purposes.

**L. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental 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 restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, 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. Encumbrances outstanding as of June 30, 2015 were as listed below:

|   | Amount      |
|---|-------------|
| General Fund                            | \$23,934    |
| Cost Recovery Special Revenue Fund      | 197,561     |
| Community Development and Loan Programs |             |
| Special Revenue Fund                    | 424,645     |
| Non-Major Governmental Funds            | 2,660,523   |
|   | \$3,306,663 |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. *Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The State Controller's Office completed its asset transfer review in November 2013 and the State ordered the return of certain assets to the Successor Agency to the Redevelopment Agency. The City complied with certain aspects of the State's order during fiscal year 2013 by returning applicable capital assets to the Successor Agency and the Oversight Board retroactively approved other prior transfers to the City and the State has indicated that no further action is necessary. The State also ordered the return of assets previously transferred to the City as Housing Successor totaling \$16,460,848, because the transfer of the housing assets had not been approved by the Oversight Board. The Oversight Board adopted a Resolution on February 25, 2014 retroactively approving the transfer of the loans to the Housing Successor.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Fund which is included in the Community Development and Loan Programs Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|---|
| <b>NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b><br><b>(Continued)</b> |
|---|

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews were to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of \$4,067,242 to the County in November 2014. The Department of Finance approved the Non-housing DDR in December 2014, and no funds were required to be remitted to the County. The Successor Agency received a Finding of Completion on December 9, 2014.

The activities of the Successor Agency are reported in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2015 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2015.

**B. *Loans Receivable***

The Successor Agency assumed non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms.

**Ford Assembly Building Loan**

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan \$3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 8. The loan's principal is due in August 2025. Interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. The developer repaid \$143,000 of the loan in fiscal year 2010, \$147,000 in fiscal year 2011, \$150,000 in fiscal years 2012 and 2013, \$158,000 in fiscal year 2014 and \$162,000 in fiscal 2015 and the balance of the loan was \$2,086,000 as of June 30, 2015.

**C. *Capital Assets***

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

|                                     |               |
|-------------------------------------|---------------|
| Improvements other than buildings   | 20 years      |
| Buildings and building improvements | 50 years      |
| Vehicles                            | 3 – 10 years  |
| Infrastructure                      | 25 - 50 years |
| Machinery and equipment             | 3 – 20 years  |

Capital assets recorded at June 30 comprise:

|  | Balance at<br>June 30, 2014 | Additions  | Balance at<br>June 30, 2015 |
|--|-----------------------------|------------|-----------------------------|
| Capital assets not being depreciated:      |                             |            |                             |
| Land and land improvements                 | \$17,603,162                |            | \$17,603,162                |
| Construction in Progress                   | 5,328,244                   |            | 5,328,244                   |
| Total capital assets not being depreciated | 22,931,406                  |            | 22,931,406                  |
| Capital assets being depreciated:          |                             |            |                             |
| Machinery and equipment                    | 120,448                     |            | 120,448                     |
| Less accumulated depreciation for:         |                             |            |                             |
| Machinery and equipment                    | (99,684)                    | (\$12,369) | (112,053)                   |
| Capital assets being depreciated, net      | 20,764                      | (12,369)   | 8,395                       |
| Capital assets, net                        | \$22,952,170                | (\$12,369) | \$22,939,801                |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**D. Long-term Obligations**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2015:

|               | Balance<br>July 01, 2014 | (A)<br>Additions   | Deletions            | Balance<br>June 30, 2015 | Due Within<br>One Year | Due in More<br>than One Year |
|---------------|--------------------------|--------------------|----------------------|--------------------------|------------------------|------------------------------|
| Bonds payable | \$79,327,325             | \$1,065,604        | (\$2,545,186)        | \$77,847,743             | \$5,781,567            | \$72,066,176                 |
| Loans payable | 24,885,000               |                    | (750,000)            | 24,135,000               | 790,000                | 23,345,000                   |
| Notes payable | 18,379,333               | 10,833             | (2,907,630)          | 15,482,536               | 478,933                | 15,003,603                   |
| <b>Total</b>  | <u>\$122,591,658</u>     | <u>\$1,076,437</u> | <u>(\$6,202,816)</u> | <u>\$117,465,279</u>     | <u>\$7,050,500</u>     | <u>\$110,414,779</u>         |

(A) Includes bond accretion for capital appreciation bonds totaling \$1,065,604 and interest on notes payable of \$10,833.

**Bonds Payable**

Bonds payable at June 30, 2015 consisted of the following:

|  |                     |
|--|---------------------|
| Harbour Tax Allocation Refunding Bonds - 1998 Series A       | \$8,511,430         |
| Subordinate Tax Allocation Bonds - 2007 Series B             | 10,925,480          |
| Subordinate Tax Allocation Refunding Bonds - 2010 Series A   | 28,735,000          |
| Successor Agency of RCRA Refunding Bonds - 2014 Series A & B | 29,675,833          |
| <b>Total</b>   | <u>\$77,847,743</u> |

**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 were 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 derived from taxable property within the Harbour Project Area. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the defeasance of the outstanding balance of the current interest portion of the bonds in the amount of \$9,180,000, as discussed below.

**CITY OF RICHMOND**  
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**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

At June 30, 2015, the Bonds consisted of the following:

|                            | Value        | Accretion/<br>Amortization | Unamortized<br>Premium<br>(Discount) | Net         |
|----------------------------|--------------|----------------------------|--------------------------------------|-------------|
| Capital appreciation bonds | \$10,350,000 | \$421,042                  | (\$2,259,612)                        | \$8,511,430 |

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

|  | For the Years<br>Ending June 30, | Principal           | Total               |
|--|----------------------------------|---------------------|---------------------|
|  | 2016                             | \$1,150,000         | \$1,150,000         |
|  | 2017                             | 1,150,000           | 1,150,000           |
|  | 2018                             | 1,150,000           | 1,150,000           |
|  | 2019                             | 1,150,000           | 1,150,000           |
|  | 2020                             | 1,150,000           | 1,150,000           |
|  | 2021-2024                        | 4,600,000           | 4,600,000           |
|  | <b>Total</b>                     | <b>\$10,350,000</b> | <b>\$10,350,000</b> |

**Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007A and Series B - Original Issue Series A \$65,400,000, Series B \$9,772,622**

On July 12, 2007 the Redevelopment Agency issued Series 2007A Subordinate Tax Allocation Bonds in the amount of \$65,400,000. The proceeds from the Bonds were used to pay the amount of \$22,000,000 to the City to assist with the financing of the Civic Center Project, and to fund other Redevelopment Agency projects.

The 2007A Subordinate Tax Allocation Bonds were issued as variable auction rate bonds with interest calculated every thirty-five days, however, the Agency entered into a 29-year interest rate swap agreement for the entire amount of its 2007A Subordinate Tax Allocation Bonds. In fiscal year 2010 the Agency experienced a significant decline in tax increment revenue. In order to bring debt service in line with current revenues and maintain compliance with the required 1.4:1 tax increment to debt service coverage ratio, the Agency suspended a number of projects originally funded by the 2007A Bonds and applied approximately \$36 million of the unspent 2007A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010A to refund the outstanding balance of the 2007A Bonds. As part of the issuance of the 2010A Bonds, the interest rate swap agreement associated with the 2007A Bonds was amended and restated as discussed with the Series 2010A Bonds below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

On July 12, 2007 the Redevelopment Agency issued Series 2007B Housing Set-Aside Subordinate Tax Allocation Capital Appreciation Bonds in the amount of \$9,772,622 at interest rates ranging from 5.57% to 6.40%. The proceeds from the 2007B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007B Bonds mature annually through 2037, in amounts ranging from \$465,000 to \$2,020,000. The 2007B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

At June 30, 2015, the 2007B Bonds consisted of the following:

|                            | Maturity Value | Accretion/<br>Amortization | Unamortized<br>Premium<br>(Discount) | Net          |
|----------------------------|----------------|----------------------------|--------------------------------------|--------------|
| Capital appreciation bonds | \$20,855,000   | \$644,562                  | (\$10,574,082)                       | \$10,925,480 |

The annual debt service requirements on the 2007B Bonds are as follows:

| For the Years<br>Ending June 30, | Principal           |
|----------------------------------|---------------------|
| 2016                             |                     |
| 2017                             |                     |
| 2018                             | \$935,000           |
| 2019                             | 990,000             |
| 2020                             | 1,040,000           |
| 2021-2025                        | 5,850,000           |
| 2026-2030                        | 6,195,000           |
| 2031-2035                        | 4,175,000           |
| 2036-2037                        | 1,670,000           |
| <b>Total</b>                     | <b>\$20,855,000</b> |

**2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue \$33,740,000**

The 2010A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010A Bonds were used to refund all of the outstanding Series 2007A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010A Bonds mature annually through 2037 and are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

In connection with the issuance of the Series 2007A Subordinate Tax Allocation Bonds, the Agency entered into a swap agreement for \$65,400,000, the entire amount of the 2007 A Bonds. With the issuance of the 2010A Bonds, the Agency amended and restated the swap agreement. The amended agreement requires the Agency to make and receive payments based on variable interest rates. The Agency will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.83% and the Agency will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. With the issuance of the 2014 Successor Agency to the Richmond Redevelopment Agency Refunding Bonds, the Successor Agency amended the swap agreement to subordinate the termination payment provisions of the swap agreement to the debt service on the 2014 Bonds.

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

| For the Years<br>Ending June 30, | Principal           | Interest            | Total               |
|----------------------------------|---------------------|---------------------|---------------------|
| 2016                             | \$1,095,000         | \$1,999,805         | \$3,094,805         |
| 2017                             | 1,165,000           | 1,939,771           | 3,104,771           |
| 2018                             | 1,240,000           | 1,870,224           | 3,110,224           |
| 2019                             | 1,325,000           | 1,791,697           | 3,116,697           |
| 2020                             | 1,015,000           | 1,716,355           | 2,731,355           |
| 2021-2024                        | 6,945,000           | 7,256,199           | 14,201,199          |
| 2026-2030                        | 10,270,000          | 3,938,781           | 14,208,781          |
| 2031-2035                        | 3,730,000           | 1,553,208           | 5,283,208           |
| 2036-2037                        | 1,950,000           | 146,030             | 2,096,030           |
| <b>Total</b>                     | <b>\$28,735,000</b> | <b>\$22,212,070</b> | <b>\$50,947,070</b> |

**Interest Rate Swap Agreement**

The Agency entered into an interest swap agreement in connection with the 2010A Subordinate Tax Allocation Refunding Bonds. The transaction allows the Agency to create a synthetic variable rate on the Bonds. The terms, fair value and credit risk of the swap agreement are disclosed below.

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2015 are included below. The swap agreement contains scheduled reductions to the outstanding notional amount.

| Outstanding<br>Notional<br>Amount | Effective<br>Date | Counterparty            | Long-Term<br>Credit Rating<br>(S&P/Moody's/Fitch) | Variable<br>Rate<br>Paid         | Variable<br>Rate<br>Received | Fair Value at<br>June 30, 2015 | Termination<br>Date |
|-----------------------------------|-------------------|-------------------------|---|----------------------------------|------------------------------|--------------------------------|---------------------|
| \$54,000,000                      | 7/12/2007         | Royal Bank of<br>Canada | AA-/Aa3/AA  | SIFMA<br>Municipal<br>Swap Index | 68% of USD-1<br>Month LIBOR  | (\$5,809,000)                  | 9/1/2036            |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

Based on the swap agreement, the Agency owes interest calculated at a variable rate to the counterparty of the swap, and in return, the counterparty owes the Agency interest based on a variable rate. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market’s best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2015, the fair value of the swap was in favor of the counterparty.

The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the ineffective hedge as noted below:

|   | Changes in Fair Value |             | Fair value at June 30, 2015 |               |
|---|-----------------------|-------------|-----------------------------|---------------|
|   | Classification        | Amount      | Classification              | Amount        |
| <b>Pay-Variable, Receive-Variable</b>                   |                       |             |                             |               |
| <i>2010A Subordinate Tax Allocation Refunding Bonds</i> | Investment revenue    | \$1,349,000 | Investment                  | (\$5,809,000) |

*Credit risk.* As of June 30, 2015, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the Agency would be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Interest rate risk.* The swap increases the Agency’s exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the Agency’s net payment on the swap increases.

*Basis risk.* Basis risk is the risk that the interest rate paid by the Agency on the underlying fixed rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the fixed bond rate the Agency pays on the underlying Bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the fixed rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt fixed rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt fixed rate bonds converge the Agency is exposed to this basis risk.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

*Termination risk.* The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency’s making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2015, debt service requirements of the Agency’s outstanding fixed rate Bonds and net swap payments assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

| For the Years<br>Ending June 30, | Fixed-Rate Bonds    |                     | Interest Rate      | Total               |
|----------------------------------|---------------------|---------------------|--------------------|---------------------|
|                                  | Principal           | Interest            | Swap, Net          |                     |
| 2016                             | \$1,095,000         | \$1,594,961         | \$404,844          | \$3,094,805         |
| 2017                             | 1,165,000           | 1,551,043           | 388,728            | 3,104,771           |
| 2018                             | 1,240,000           | 1,498,386           | 371,838            | 3,110,224           |
| 2019                             | 1,325,000           | 1,437,361           | 354,336            | 3,116,697           |
| 2020                             | 1,015,000           | 1,377,846           | 338,509            | 2,731,355           |
| 2021-2024                        | 6,945,000           | 5,895,232           | 1,360,967          | 14,201,199          |
| 2026-2030                        | 10,270,000          | 3,130,639           | 808,142            | 14,208,781          |
| 2031-2035                        | 3,730,000           | 1,200,097           | 353,111            | 5,283,208           |
| 2036-2037                        | 1,950,000           | 121,887             | 24,143             | 2,096,030           |
| <b>Total</b>                     | <b>\$28,735,000</b> | <b>\$17,807,452</b> | <b>\$4,404,618</b> | <b>\$50,947,070</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B – Original Issue Amounts \$25,795,000 and \$1,655,000, respectively**

The 2014 A & B Bonds were issued on March 27, 2014 by the Successor Agency to the Richmond Community Redevelopment Agency. The proceeds of the Bonds, together with other available funds, were used to refund and defease the outstanding balance of the current interest portion of the 1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A, and the outstanding balances of the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000 A & B and Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A. Interest rates range from 1.40% to 5.00% and is payable semiannually on March 1 and September 1. The 2014A Bonds mature annually on each September 1 through 2025 while the 2014B Bonds mature annually on each September 1 through 2018. Both Bonds are secured by a pledge of Redevelopment Property Tax Trust Fund revenues. The outstanding balances of the defeased debt as of June 30, 2015 were as follows:

|  |              |
|--|--------------|
| Harbour Tax Allocation Refunding Bonds - 1998 Series A | \$8,460,000  |
| JPFA Tax Allocation Revenue Bonds - 2000 Series A & B  | 10,710,000   |
| JPFA Tax Allocation Revenue Bonds - 2003 Series A      | 12,760,000   |
|  | \$31,930,000 |

At June 30, 2015, the 2014 A & B Bonds consisted of the following:

|                     |                     |
|---------------------|---------------------|
| Bonds outstanding:  | \$27,450,000        |
| Unamortized premium | 2,225,833           |
| <b>Net</b>          | <b>\$29,675,833</b> |

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

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$3,145,000         | \$1,145,013        | \$4,290,013         |
| 2017                             | 3,250,000           | 1,027,195          | 4,277,195           |
| 2018                             | 3,375,000           | 903,144            | 4,278,144           |
| 2019                             | 3,505,000           | 771,512            | 4,276,512           |
| 2020                             | 1,775,000           | 659,375            | 2,434,375           |
| 2021-2025                        | 10,110,000          | 1,849,500          | 11,959,500          |
| 2026                             | 2,290,000           | 54,750             | 2,344,750           |
| <b>Total</b>                     | <b>\$27,450,000</b> | <b>\$6,410,489</b> | <b>\$33,860,489</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Loans Payable**

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency’s operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

The outstanding balances of loans payable to the Authority at June 30, 2015 came from the Bond issues listed below:

|   |                            |
|---|----------------------------|
| JPFA Tax Allocation Revenue Bonds - 2003 Series B     | \$9,650,000                |
| JPFA Tax Allocation Revenue Bonds - 2004 Series A & B | <u>14,485,000</u>          |
| <b>Total</b>  | <u><u>\$24,135,000</u></u> |

**Loan from the Authority dated August 1, 2003**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of \$28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond \$18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Post-2004 Limit Area pledged by the Agency for the purpose of loan repayment. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the refunding and defeasance of the outstanding balance of the 2003 Series A Bonds in the amount of \$12,910,000, as discussed above.

The annual debt service requirements on the 2003 Series B loan as of June 30, 2015 are as follows:

| For the Years<br>Ending June 30, | Principal                 | Interest                  | Total                      |
|----------------------------------|---------------------------|---------------------------|----------------------------|
| 2016                             | \$495,000                 | \$583,921                 | \$1,078,921                |
| 2017                             | 525,000                   | 554,035                   | 1,079,035                  |
| 2018                             | 555,000                   | 522,391                   | 1,077,391                  |
| 2019                             | 590,000                   | 488,842                   | 1,078,842                  |
| 2020                             | 735,000                   | 448,403                   | 1,183,403                  |
| 2021-2025                        | 5,045,000                 | 1,440,969                 | 6,485,969                  |
| 2026                             | 1,705,000                 | 53,708                    | 1,758,708                  |
| <b>Total</b>                     | <u><u>\$9,650,000</u></u> | <u><u>\$4,092,269</u></u> | <u><u>\$13,742,269</u></u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Loan from the Authority dated October 1, 2004**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of \$15,000,000 and \$2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond \$6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2015 are as follows:

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$295,000           | \$751,649          | \$1,046,649         |
| 2017                             | 305,000             | 737,664            | 1,042,664           |
| 2018                             | 320,000             | 722,711            | 1,042,711           |
| 2019                             | 335,000             | 707,050            | 1,042,050           |
| 2020                             | 3,105,000           | 620,564            | 3,725,564           |
| 2021-2025                        | 3,890,000           | 2,222,838          | 6,112,838           |
| 2026-2027                        | 6,235,000           | 458,724            | 6,693,724           |
| <b>Total</b>                     | <b>\$14,485,000</b> | <b>\$6,221,200</b> | <b>\$20,706,200</b> |

**Pledge of Redevelopment Tax Increment Revenues**

The Bond issues and loans payable to the Authority discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of \$150,461,028 remaining debt service on the Bonds and loans which is scheduled to occur in 2027.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2015 calculated by the County Auditor–Controller were \$21,270,471. The total received by the Successor Agency for fiscal year 2015 debt service and other enforceable obligations was \$17,206,306, and debt service was \$7,430,410.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Notes Payable**

|                       |                            |
|-----------------------|----------------------------|
| HUD Section 108 Loans | \$3,888,000                |
| SERAF Loan            | 11,594,536                 |
| <b>Total</b>          | <u><u>\$15,482,536</u></u> |

**CHFA Help Loans – Original Amounts \$1,000,000**

The Agency entered a loan agreement with California Housing Finance Agency in November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loan is due 10 years from the date of the loan. The loan bears a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. The loan including principal of \$1,000,000 and accrued interest of \$250,833 was fully repaid during the fiscal year ended June 30, 2015.

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

In fiscal 2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2026 as follows:

| For the Years<br>Ending June 30, | Principal                 | Interest                | Total                     |
|----------------------------------|---------------------------|-------------------------|---------------------------|
| 2016                             | \$166,000                 | \$98,846                | \$264,846                 |
| 2017                             | 171,000                   | 91,422                  | 262,422                   |
| 2018                             | 175,000                   | 83,602                  | 258,602                   |
| 2019                             | 180,000                   | 75,454                  | 255,454                   |
| 2020                             | 184,000                   | 66,816                  | 250,816                   |
| 2021-2025                        | 995,000                   | 188,311                 | 1,183,311                 |
| 2026                             | 215,000                   | 5,697                   | 220,697                   |
| <b>Total</b>                     | <u><u>\$2,086,000</u></u> | <u><u>\$610,148</u></u> | <u><u>\$2,696,148</u></u> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. The loan proceeds were given to the Agency for the project, therefore the Agency is responsible for the repayment of the loan. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. During the fiscal year ended June 30, 2015, the City received CDBG grant funds from HUD in the amount of \$1,092,323 for the partial repayment of the loan, which were transferred to the Agency to retire that portion of the loan. The payment included \$998,000 in principal and \$104,323 in interest. The principal payments are due annually from 2012 through 2026 as follows:

| For the Years<br>Ending June 30, | Principal          | Interest         | Total              |
|----------------------------------|--------------------|------------------|--------------------|
| 2016                             |                    | \$46,491         | \$46,491           |
| 2017                             |                    | 46,491           | 46,491             |
| 2018                             |                    | 46,491           | 46,491             |
| 2019                             |                    | 46,491           | 46,491             |
| 2020                             | \$102,000          | 44,079           | 146,079            |
| 2021-2025                        | 1,360,000          | 120,058          | 1,480,058          |
| 2026                             | 340,000            | 731              | 340,731            |
| <b>Total</b>                     | <b>\$1,802,000</b> | <b>\$350,832</b> | <b>\$2,152,832</b> |

**SERAF Loan**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payments to the County to be made over a ten year period. The loan bears interest at a rate of 2%. Payments of principal and interest are due on an annual basis, commencing May 10, 2014.

| For the Years<br>Ending June 30, | Principal           | Interest           | Total               |
|----------------------------------|---------------------|--------------------|---------------------|
| 2016                             | \$312,933           | \$231,891          | \$544,824           |
| 2017                             | 319,191             | 225,632            | 544,823             |
| 2018                             | 325,575             | 219,248            | 544,823             |
| 2019                             | 332,087             | 212,737            | 544,824             |
| 2020                             | 338,728             | 206,095            | 544,823             |
| 2021                             | 9,966,022           |                    | 9,966,022           |
| <b>Total</b>                     | <b>\$11,594,536</b> | <b>\$1,095,603</b> | <b>\$12,690,139</b> |

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|   |
|---|
| <b>NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b><br><b>(Continued)</b> |
|---|

**Debt Without Agency or City Commitment**

A special assessment district has been established in an area of the Agency to provide improvements to properties located in that district. Properties in the district 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 Agency 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 Agency funds to repay these debts in the event of default.

One District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding of \$3,010,000 at June 30, 2015.

**Conduit Debt**

The Agency has assisted private-sector entities by sponsoring their issuance of debt for purposes the Agency deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The Agency 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 Agency funds to repay these debts in the event of default by any of these issuers. At June 30, 2015, the balance of these issuers' outstanding debts was as follows:

|   |             |
|---|-------------|
| Bridge Housing Acquisitions, Inc.   | \$9,470,000 |
| Baycliff Apartment Project, 2004 Revenue Bonds                            | 29,690,000  |
| Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds | 28,018,470  |

**E. Commitments and Contingencies**

**State Approval of Enforceable Obligations**

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**Miraflores – Pollution Remediation**

The City, through the former Redevelopment Agency, has undertaken a known pollution remediation project at the Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012. Clean up of the 14 acre former flower nursery site, located at South 45<sup>th</sup> Street and Wall Avenue, will provide future residential and open space land. The remediation phase of the Miraflores project was completed during the fiscal year ended June 30, 2015.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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|   |
|---|
| <b>NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b><br><b>(Continued)</b> |
|---|

At the time the original Remedial Action Plan was prepared, the original cost of the preferred alternative remediation was estimated to be \$3,200,000. As of June 30, 2014, the estimate had increased to \$13.4 million. During the fiscal year ended June 30, 2015, the Agency increased the remediation estimate to \$13.6 million. The Agency has spent \$13.1 million in pollution remediation costs since the project's inception, including current year expenditures of \$1.3 million, leaving a remaining estimated pollution liability of \$489,000 at June 30, 2015 for ongoing monitoring costs. The Successor Agency has recorded this amount as an accrued liability in the Statement of Fiduciary Net Position, however this obligation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**Marina Bay – Pollution Remediation**

The Successor Agency owns a group of land tracts collectively referenced as the “Nine Deed Restricted Properties.” The Successor Agency is named as a responsible party at these sites under a Voluntary Cleanup Agreement with the State Department of Toxic Substances Control (DTSC) to conduct pollution monitoring and remediation. These nine properties sit within the larger Marina Bay development site. A Remediation Action Plan (RAP) was prepared for Marina Bay in 1993, and included references to each of the Deed Restricted Properties. Eight of the nine deed restricted properties are subject to an Operations & Maintenance (O&M) Plan. The O&M Plans require annual inspections of the cap material and reporting of the findings to DTSC. The O&M Plans also require that a five-year review report be prepared and submitted to DTSC. The five-year review reports describe the inspection and maintenance activities that were performed over the previous five years. The annual monitoring costs are estimated at \$8,700, with the five year review estimated at \$45,000. The monitoring costs over a five year period are estimated at \$88,500.

The RAP was subsequently amended in 2008 to address Area T, one of the Nine Deed Restricted Properties. The amended RAP subjects the site to groundwater sampling, analysis, and remediation. The approximate annual costs for the existing groundwater sampling, analysis and remediation program is approximately \$49,500. The known pollution at this site is a layer of petroleum hydrocarbons above groundwater and petroleum hydrocarbons dissolved in groundwater. Active remediation has been conducted since September 2008 by the former Redevelopment Agency and now by the Successor Agency. DTSC requested that the Successor Agency submit a work plan describing the methods to enhance the recovery of free product and dissolved petroleum hydrocarbons at Area T. The Successor Agency submitted a Work Plan for Enhancement of Groundwater Remediation Program to DTSC in March 2015 (Work Plan). DTSC approved the Work Plan in April 2015. The cost to implement the enhanced groundwater remediation program is estimated at \$115,000. This preliminary estimate has not been accrued as a liability in the Successor Agency's Statement of Fiduciary Net Position. This estimate is subject to change as the draft work plan moves through the regulatory review process. This estimate is also subject to change from price increases or reductions, technology, and changes in applicable laws or regulations.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Unpaid Pass – Through Obligation**

The Successor Agency has identified an obligation to allocate an increased share of its tax increment revenues to other taxing agencies within Contra Costa County pursuant to Sections 33607.5 and 33607.7 of the Community Redevelopment Law (CRL). In 1999, the former Redevelopment Agency adopted ordinances to extend the debt horizon on its various project areas as authorized in Assembly Bill 1342, which triggered the additional pass-through requirement for the portion of Project 8-A which was added in 1980. Later in 1999, the Agency amended the various Redevelopment Plans to merge all of the project areas together and also extended the date to incur debt in Project 11-A, Harbour from January 1, 2004 to January 1, 2014. Project 1-B Pilot was amended in 2004 pursuant to Senate Bill 211 to delete the last date to incur debt. These former Redevelopment Agency actions created a requirement to increase tax increment pass-through distributions to other taxing agencies at certain times pursuant to the CRL. The additional pass-through obligation was not implemented for the above Projects. The Successor Agency has now accumulated a retroactive pass-through obligation that spans back over several fiscal years.

Since the dissolution of the former Redevelopment Agency in 2012, under the State Dissolution Act, California counties have been charged with the implementation of Successor Agency pass-through obligations. In June 2014, Contra Costa County implemented a catch-up pass-through deduction of \$1,459,577 at the time of its Required Obligation Payment Schedule (ROPS) 2014-15a tax distribution. The June 2014 catch-up deduction resolved pass-through obligations for the three fiscal years since the date of dissolution (the fiscal years ending June 30, 2012, 2013 and 2014). Pass-through obligations for the fiscal year ended June 30, 2015 were paid by the County as due. Any remaining obligation for fiscal years prior to the dissolution of the former Redevelopment Agency have not been determined. Under the policy of the State Department of Finance, any claimed underpayments of pass-through obligations dating prior to dissolution must be listed on a future ROPS and approved by the State Department of Finance as an eligible use of future tax distributions.

**NOTE 19 – SUBSEQUENT EVENTS**

**A. *Swap Termination Event***

On May 13, 2015, Moody's Investor Services ("Moody's") downgraded the City's issuer rating from "A1" to "Baa1" and the rating on its 1999 Taxable Limited Obligation Pension Bonds from "A2" to "Baa2". In addition, the City and its Wastewater Enterprise bonds were placed under review for possible downgrades. On August 4, 2015, Moody's further downgraded the City's issuer rating from "Baa1" to "Ba1" and its rating on the City's Taxable Pension Obligation Bonds and 1999 Taxable Limited Obligation Pension Bonds ("POB's) from "Baa2". In addition, Moody's downgraded its rating on the City's Wastewater Revenue Bonds, Series 2006A to "Baa2" from "A2". On September 1, 2015, Standard and Poor's Rating Services ("S&P") lowered the City's Issuer Credit Rating from "AA-" to "BBB+" placing the City on CreditWatch. Other credit ratings downgrades included S&P's assigned underlying rating (SPUR) for the Wastewater Enterprise Fund that was lowered from "A+" to "BBB".

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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**NOTE 19 – SUBSEQUENT EVENTS (Continued)**

Moody's downgrade of the City's issuer rating to "Ba1" resulted in allowing the counterparty, JPMorgan Chase Bank, NA ("JPM") to declare an Additional Termination Event ("ATE") with the interest rate swaps ("2007 Swaps") the City entered in conjunction with the 2005 Taxable POBs. This means that JPM could exercise a right to terminate the 2007 Swaps and demand immediate payment of an approximately \$31.5 million settlement amount that represents the present value of the City's expected future performance obligations under the 2007 Swaps. The City intends to enter into a restructuring of certain of its obligations through the issuance by the Richmond Joint Powers Financing Authority of Lease Revenue Bonds Series 2016A (tax-exempt) to fund the cost of terminating the Civic Center Swaps relating to the Richmond Joint Powers Financing Authority Series 2009 Civic Center Lease Revenue Bonds held by Royal Bank of Canada ("RBC"). RBC will simultaneously enter into a novation of the 2007 Swaps with JPM. By terminating the Civic Center Swaps, the City reduces RBC's credit exposure to the City sufficiently to allow RBC to accept the additional credit exposure associated with stepping into JPM's position in the 2007 swaps through novation. Contemporaneous with the novation from JPM to RBC, RBC and the City will amend and restate the 2007 Swaps, including eliminating the existence of the ATE by removing reference to a Moody's rating in the ATE provisions, reducing the Standard & Poor's rating threshold for a future ATE to BBB- from BBB and providing a mandatory early termination of the 2007 Swaps in 2023. The early termination will require the City to either refund or restructure the 2007 Swap at that date if a termination payment is due at the time. In addition, terminating the Civic Center Swaps will eliminate the risk of an ATE with respect to the Civic Center Swaps, which require the City to maintain its Issuer Credit Rating at the current level of BBB+ to avoid an ATE.

On December 23, 2015, the City received an updated issuer credit rating from S&P affirming the BBB+ issuer credit rating and removing the ratings from CreditWatch and noting that the outlook is stable.

**B. *Housing Authority Rental Assistance Demonstration***

A Rental Assistance Demonstration (RAD) Program conversion of the Friendship Manor and Triangle Court public housing sites will occur during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). Starting in December 2015, 156 units of Public Housing will convert to non-profit ownership with Section 8-Project Based Voucher rental subsidy on two separate properties. All 156 units except for three units (two are reserved for onsite managers and one for a manager's office) will be used to house low-income residents.

The Authority has subsequently obtained approximately \$16.5 million in tax exempt bonds, approximately \$12.2 million in 4% tax credits, and \$5.4 million in local financing to complete the redevelopment.

The Authority has partnered with the John Stewart Company and the Richman Group to form a Limited Partnership, RHA RAD Housing Partners L.P. that will complete the conversion, manage the property and own the buildings. The Authority will relinquish the land via a long term ground lease.

After the property is placed in service and receives approval of the 8609 documents from the State of California, the Authority will split a developer fee of \$2.5 million with its general partner John Stewart Company (70%/30%). The project will not be placed in service until approximately April 2016 so bulk of the fee will not be received until that point.

RHA RAD Housing Partners L.P. will also receive \$732,557 in Public Housing and Capital Improvement funds throughout January 1, 2016 – December 31, 2016 calendar year to cover the RAD Housing Assistance Program (HAP) Voucher commitments of subsidy for the low income housing units at the two developments. The terms of this requirement are consistent with Notice 2012-32 of the Rental Assistance Demonstration program which requires RAD conversions that close after November 30<sup>th</sup> of the calendar year to be funded out of Public Housing and Capital Fund Programs until the next calendar year, at which time the Developments will be funded with Section 8 Housing Choice RAD Vouchers.

**City of Richmond  
Required Supplementary Information**

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**BUDGETARY COMPARISON SCHEDULES**

CITY OF RICHMOND  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES:</b>   |                     |                     |                     |   |
| Property tax   | \$31,226,979        | \$31,226,979        | \$30,904,650        | (\$322,329)   |
| Sales tax  | 31,101,354          | 33,565,958          | 33,131,486          | (434,472)   |
| Utility user fees  | 50,358,779          | 48,807,979          | 48,299,958          | (508,021)   |
| Other taxes  | 7,457,098           | 8,297,098           | 9,918,447           | 1,621,349   |
| Licenses, permits and fees                                   | 2,776,728           | 2,776,728           | 2,439,359           | (337,369)   |
| Fines, forfeitures and penalties                             | 334,750             | 334,750             | 482,567             | 147,817   |
| Use of money and property                                    | 86,708              | 86,708              | 77,228              | (9,480)   |
| Intergovernmental  | 953,300             | 3,292,287           | 4,097,963           | 805,676   |
| Charges for services   | 4,848,856           | 8,750,440           | 9,141,441           | 391,001   |
| Rent   | 813,265             | 843,015             | 809,113             | (33,902)  |
| Other  | 1,034,825           | 986,014             | 768,619             | (217,395)   |
| <b>Total Revenues</b>  | <b>130,992,642</b>  | <b>138,967,956</b>  | <b>140,070,831</b>  | <b>1,102,875</b>  |
| <b>EXPENDITURES:</b>   |                     |                     |                     |   |
| Current  |                     |                     |                     |   |
| General government   | 18,329,569          | 19,093,358          | 21,241,969          | (2,148,611)   |
| Public safety  | 86,781,822          | 85,985,313          | 83,960,461          | 2,024,852   |
| Public works   | 19,347,091          | 19,003,065          | 18,686,952          | 316,113   |
| Cultural and recreational                                    | 10,573,091          | 10,456,171          | 9,658,457           | 797,714   |
| Capital outlay   | 547,151             | 516,148             | 256,353             | 259,795   |
| Debt Service:  |                     |                     |                     |   |
| Principal  | 1,310,398           | 1,310,398           | 1,320,695           | (10,297)  |
| Interest and fiscal charges                                  | 353,417             | 353,417             | 610,575             | (257,158)   |
| <b>Total Expenditures</b>                                    | <b>137,242,539</b>  | <b>136,717,870</b>  | <b>135,735,462</b>  | <b>982,408</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(6,249,897)</b>  | <b>2,250,086</b>    | <b>4,335,369</b>    | <b>2,085,283</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |   |
| Bond premium   | 25,000              | 82,880              | 82,880              |   |
| Proceeds from sale of property                               | 100,000             | 189,066             | 268,927             | 79,861  |
| Transfers in   | 3,162,471           | 3,162,471           | 4,106,974           | 944,503   |
| Transfers (out)  | (7,948,322)         | (7,843,220)         | (7,654,242)         | 188,978   |
| <b>Total other financing sources (uses)</b>                  | <b>(4,660,851)</b>  | <b>(4,408,803)</b>  | <b>(3,195,461)</b>  | <b>1,213,342</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(10,910,748)</b> | <b>(2,158,717)</b>  | <b>1,139,908</b>    | <b>3,298,625</b>  |
| Fund balance, July 1   | 27,541,828          | 27,541,828          | 27,541,828          |   |
| Fund balance, June 30  | <b>\$16,631,080</b> | <b>\$25,383,111</b> | <b>\$28,681,736</b> | <b>\$3,298,625</b>                                      |

CITY OF RICHMOND  
 COST RECOVERY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

|  | Budgeted Amounts     |                       | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|-----------------------|----------------------|---|
|  | Original             | Final                 |                      |   |
| <b>REVENUES:</b>   |                      |                       |                      |   |
| Licenses, permits and fees                                   | \$5,428,019          | \$5,506,524           | \$6,206,851          | \$700,327   |
| Fines, forfeitures and penalties                             | 425,000              | 636,155               | 849,667              | 213,512   |
| Use of money and property                                    | (10,000)             | (10,000)              |                      | 10,000  |
| Intergovernmental  | 3,588,017            | 3,673,229             | 1,680,081            | (1,993,148)   |
| Charges for services   | 5,478,978            | 4,278,978             | 4,086,367            | (192,611)   |
| Other  | 76,000               | 76,000                | 16,348               | (59,652)  |
|  | <u>14,986,014</u>    | <u>14,160,886</u>     | <u>12,839,314</u>    | <u>(1,321,572)</u>                                      |
| <b>Total Revenues</b>  |                      |                       |                      |   |
| <b>EXPENDITURES:</b>   |                      |                       |                      |   |
| Current  |                      |                       |                      |   |
| General government   | 8,616,229            | 7,972,021             | 7,248,840            | 723,181   |
| Public safety  | 4,416,156            | 4,327,170             | 4,301,664            | 25,506  |
| Public works   | 4,150,305            | 4,267,982             | 3,459,283            | 808,699   |
| Capital outlay   | 1,338,288            | 1,427,207             | 143,467              | 1,283,740   |
|  | <u>18,520,978</u>    | <u>17,994,380</u>     | <u>15,153,254</u>    | <u>2,841,126</u>  |
| <b>Total Expenditures</b>                                    |                      |                       |                      |   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>(3,534,964)</u>   | <u>(3,833,494)</u>    | <u>(2,313,940)</u>   | <u>1,519,554</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                       |                      |   |
| Transfers in   | 4,275,376            | 4,359,670             | 4,359,670            |   |
|  | <u>4,275,376</u>     | <u>4,359,670</u>      | <u>4,359,670</u>     |   |
| <b>Total other financing sources (uses)</b>                  |                      |                       |                      |   |
| <b>NET CHANGE IN FUND BALANCE</b>                            | 740,412              | 526,176               | 2,045,730            | 1,519,554   |
| Fund balance (deficit), July 1 (as restated)                 | <u>(10,692,365)</u>  | <u>(10,692,365)</u>   | <u>(10,692,365)</u>  |   |
| Fund balance (deficit), June 30                              | <u>(\$9,951,953)</u> | <u>(\$10,166,189)</u> | <u>(\$8,646,635)</u> | <u>\$1,519,554</u>                                      |

CITY OF RICHMOND  
COMMUNITY DEVELOPMENT AND LOAN PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Budgeted Amounts |                    | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|--------------------|-------------------|---|
|  | Original         | Final              |                   |   |
| <b>REVENUES</b>  |                  |                    |                   |   |
| Licenses, permits and fees                                   |                  |                    | \$462,892         | \$462,892   |
| Use of money and property                                    | \$75,650         | \$30,287           | 118,817           | 88,530  |
| Intergovernmental  | 6,890,618        | 9,343,738          | 1,943,397         | (7,400,341)   |
| Other  | 1,447,427        | 908,957            | 686,190           | (222,767)   |
| <b>Total Revenues</b>  | <b>8,413,695</b> | <b>10,282,982</b>  | <b>3,211,296</b>  | <b>(7,071,686)</b>                                      |
| <b>EXPENDITURES</b>  |                  |                    |                   |   |
| Current:   |                  |                    |                   |   |
| Community development  | 380,988          | 1,202,774          | 170,262           | 1,032,512   |
| Housing and redevelopment                                    | 4,554,175        | 4,684,489          | 2,583,436         | 2,101,053   |
| Capital outlay   | 3,322,544        | 4,056,571          | 200,000           | 3,856,571   |
| Debt service:  |                  |                    |                   |   |
| Principal  |                  | 1,892,752          | 800,000           | 1,092,752   |
| Interest and fiscal charges                                  | 198,962          | 13,118             | 15,967            | (2,849)   |
| <b>Total Expenditures</b>                                    | <b>8,456,669</b> | <b>11,849,704</b>  | <b>3,769,665</b>  | <b>8,080,039</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(42,974)</b>  | <b>(1,566,722)</b> | <b>(558,369)</b>  | <b>1,008,353</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |                    |                   |   |
| Proceeds from sale of property                               |                  | 850,000            |                   | (850,000)   |
| Transfers in   |                  | 714,293            | 714,293           |   |
| Transfers out  |                  | (2,210,372)        |                   | 2,210,372   |
| <b>Total other financing sources (uses)</b>                  |                  | <b>(646,079)</b>   | <b>714,293</b>    | <b>1,360,372</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(42,974)</b>  | <b>(2,212,801)</b> | <b>155,924</b>    | <b>2,368,725</b>  |
| Fund balance, July 1 (as restated)                           | 23,499,388       | 23,499,388         | 23,499,388        |   |
| Fund balance, June 30  | \$23,456,414     | \$21,286,587       | \$23,655,312      | \$2,368,725   |

CITY OF RICHMOND  
ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Budgeted Amounts |             | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-------------|-------------------|---|
|  | Original         | Final       |                   |   |
| REVENUES   |                  |             |                   |   |
| Intergovernmental                                    |                  |             | \$28,862          | \$28,862  |
| Total Revenues                                       |                  |             | 28,862            | 28,862  |
| EXPENDITURES   |                  |             |                   |   |
| Current:   |                  |             |                   |   |
| General government                                   |                  | \$118,167   | 28,862            | 89,305  |
| Total Expenditures                                   |                  | 118,167     | 28,862            | 89,305  |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES |                  | (118,167)   |                   | 118,167   |
| NET CHANGE IN FUND BALANCE                           |                  | (118,167)   |                   | 118,167   |
| Fund balance, July 1                                 |                  |             |                   |   |
| Fund balance, June 30                                |                  | (\$118,167) |                   | \$118,167   |

**City of Richmond**  
**Required Supplementary Information**

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**NOTES TO BUDGETARY COMPARISON SCHEDULES**

**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 reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the General Fund, certain Special Revenue Funds (State Gas Tax, General Purpose, Paratransit Operations, Public Safety, Cost Recovery, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, and Richmond Neighborhood Stabilization Corporation) and certain debt service funds (2005 Pension Obligation Bonds, General Debt Service and Civic Center Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted on a project length basis and are therefore not comparable on an annual basis.

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.

**City of Richmond**  
**Required Supplementary Information**

City of Richmond, Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

| <b>Measurement Date</b>  | <u><b>6/30/2014</b></u>         |
|--|---------------------------------|
| <b>Total Pension Liability</b>   |                                 |
| Service Cost   | \$ 7,816,868                    |
| Interest   | 30,597,498                      |
| Differences between expected and actual experience                             |                                 |
| Changes in assumptions   |                                 |
| Changes in benefits  |                                 |
| Benefit payments, including refunds of employee contributions                  | (23,007,539)                    |
| <b>Net change in total pension liability</b>                                   | <u>15,406,827</u>               |
| <b>Total pension liability - beginning</b>                                     | <u>415,561,984</u>              |
| <b>Total pension liability - ending (a)</b>                                    | <u><u>\$ 430,968,811</u></u>    |
| <b>Plan fiduciary net position</b>   |                                 |
| Contributions - employer   | \$ 6,661,038                    |
| Contributions - employee   | 3,195,699                       |
| Net investment income  | 51,867,728                      |
| Benefit payments, including refunds of employee contributions                  | (23,007,539)                    |
| <b>Net change in plan fiduciary net position</b>                               | <u>38,716,926</u>               |
| <b>Plan fiduciary net position - beginning</b>                                 | <u>304,680,611</u>              |
| <b>Plan fiduciary net position - ending (b)</b>                                | <u><u>\$ 343,397,537</u></u>    |
| <br>Net pension liability - ending (a)-(b)                                     | <br><u><u>\$ 87,571,274</u></u> |
| <br>Plan fiduciary net position as a percentage of the total pension liability | <br><br>79.68%                  |
| <br>Covered - employee payroll   | <br><u><u>\$ 38,393,259</u></u> |
| <br>Net pension liability as percentage of covered-employee payroll            | <br><br>228.09%                 |

**Notes to Schedule:**

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** There were no changes in assumption.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Richmond**  
**Required Supplementary Information**

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City of Richmond, Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

|   | <b>2015</b>   |
|---|---------------|
| Actuarially determined contribution                                   | \$ 7,178,549  |
| Contributions in relation to the actuarially determined contributions | (7,178,549)   |
| Contribution deficiency (excess)                                      | \$ -          |
| <br>  |               |
| Covered-employee payroll  | \$ 36,151,102 |
| <br>  |               |
| Contributions as a percentage of covered-employee payroll             | 19.86%        |

**Notes to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

|                                       |   |
|---------------------------------------|---|
| Actuarial cost method                 | Entry age normal  |
| Amortization method                   | Level percentage of payroll, closed   |
| Average remaining amortization period | 24 years as of valuation date   |
| Asset valuation method                | 15 year Smoothed Market value   |
| Inflation                             | 2.75%   |
| Salary increases                      | Varies by Entry Age and Service   |
| Investment rate of return             | 7.50%, net of pension plan investment and administrative expenses, includes inflation   |
| Retirement age                        | The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.  |
| Mortality Rate Table                  | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Richmond**  
**Required Supplementary Information**

City of Richmond, Safety Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

| <b>Measurement Date</b>  | <u><b>6/30/2014</b></u>          |
|--|----------------------------------|
| <b>Total Pension Liability</b>   |                                  |
| Service Cost   | \$ 10,167,167                    |
| Interest   | 38,254,517                       |
| Differences between expected and actual experience                             |                                  |
| Changes in assumptions   |                                  |
| Changes in benefits  |                                  |
| Benefit payments, including refunds of employee contributions                  | (27,199,743)                     |
| <b>Net change in total pension liability</b>                                   | <u>21,221,941</u>                |
| <b>Total pension liability - beginning</b>                                     | <u>518,576,503</u>               |
| <b>Total pension liability - ending (a)</b>                                    | <u><u>\$ 539,798,444</u></u>     |
| <b>Plan fiduciary net position</b>   |                                  |
| Contributions - employer   | \$ 9,352,438                     |
| Contributions - employee   | 3,348,408                        |
| Net investment income  | 64,842,562                       |
| Benefit payments, including refunds of employee contributions                  | (27,199,743)                     |
| <b>Net change in plan fiduciary net position</b>                               | <u>50,343,665</u>                |
| <b>Plan fiduciary net position - beginning</b>                                 | <u>379,062,015</u>               |
| <b>Plan fiduciary net position - ending (b)</b>                                | <u><u>\$ 429,405,680</u></u>     |
| <br>Net pension liability - ending (a)-(b)                                     | <br><u><u>\$ 110,392,764</u></u> |
| <br>Plan fiduciary net position as a percentage of the total pension liability | <br><br>79.55%                   |
| <br>Covered - employee payroll   | <br><u><u>\$ 34,305,657</u></u>  |
| <br>Net pension liability as percentage of covered-employee payroll            | <br><br>321.79%                  |

**Notes to Schedule:**

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** There were no changes in assumption.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Richmond**  
**Required Supplementary Information**

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City of Richmond, Safety Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

|   | <b>2015</b>   |
|---|---------------|
| Actuarially determined contribution                                   | \$ 10,650,057 |
| Contributions in relation to the actuarially determined contributions | (10,650,057)  |
| Contribution deficiency (excess)                                      | \$ -          |
| <br>  |               |
| Covered-employee payroll  | \$ 36,151,966 |
| <br>  |               |
| Contributions as a percentage of covered-employee payroll             | 29.46%        |

**Notes to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

|                                       |   |
|---------------------------------------|---|
| Actuarial cost method                 | Entry age normal  |
| Amortization method                   | Level percentage of payroll, closed   |
| Average remaining amortization period | 26 years as of valuation date   |
| Asset valuation method                | 15 year Smoothed Market value   |
| Inflation                             | 2.75%   |
| Salary increases                      | Varies by Entry Age and Service   |
| Investment rate of return             | 7.50%, net of pension plan investment and administrative expenses, includes inflation   |
| Retirement age                        | The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.  |
| Mortality Rate Table                  | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years \***

***General Pension Plan***

|  | <u>2014</u>        | <u>2015</u>        |
|--|--------------------|--------------------|
| <b>Total Pension Liability</b>   |                    |                    |
| Service Cost   |                    |                    |
| Interest   | \$147,247          | \$128,954          |
| Differences between expected and actual experience                         |                    | 345,786            |
| Changes of assumptions   |                    | 322,312            |
| Changes of benefit terms   |                    |                    |
| Benefit payments, including member contribution refunds                    | (592,105)          | (672,546)          |
| Net change in Total Pension Liability                                      | (444,858)          | 124,506            |
| Total Pension Liability at beginning of year                               | 4,219,909          | 3,775,051          |
| <b>Total pension liability at end of year</b>                              | <u>\$3,775,051</u> | <u>\$3,899,557</u> |
| <br><b>Fiduciary Net Position</b>  |                    |                    |
| Contributions - employer   | \$602,970          | \$602,970          |
| Contributions - donations and other income                                 |                    |                    |
| Contributions - member   |                    |                    |
| Net investment income  | (837)              | 2,017              |
| Other additions  |                    |                    |
| Benefit payments, including member contribution refunds                    | (592,105)          | (672,546)          |
| Administrative expenses  |                    |                    |
| Other deductibles  |                    |                    |
| Net change in Fiduciary Net Position                                       | 10,028             | (67,559)           |
| Fiduciary Net Position at beginning of year                                | 1,033,168          | 1,043,196          |
| <b>Fiduciary net position at end of year</b>                               | <u>\$1,043,196</u> | <u>\$975,637</u>   |
| <br><b>Net pension liability (asset) at end of year</b>                    | <u>\$2,731,855</u> | <u>\$2,923,920</u> |
| <br><b>Fiduciary net position as percentage of total pension liability</b> | 27.6%              | 25.0%              |
| <b>Covered-employee payroll</b>  | n/a                | n/a                |
| <b>Net pension liability as percentage of covered-employee payroll</b>     | n/a                | n/a                |

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years \***

*Police and Firemen's Pension Plan*

|  | <u>2014</u>                | <u>2015</u>                |
|--|----------------------------|----------------------------|
| <b>Total Pension Liability</b>   |                            |                            |
| Service Cost   |                            |                            |
| Interest   | \$1,579,762                | \$1,464,746                |
| Differences between expected and actual experience                         |                            | (323,462)                  |
| Changes of assumptions   |                            | 1,380,854                  |
| Changes of benefit terms   |                            |                            |
| Benefit payments, including member contribution refunds                    | <u>(3,436,887)</u>         | <u>(3,074,421)</u>         |
| Net change in Total Pension Liability                                      | (1,857,125)                | (552,283)                  |
| Total Pension Liability at beginning of year                               | <u>25,094,272</u>          | <u>23,237,147</u>          |
| <b>Total pension liability at end of year</b>                              | <u><u>\$23,237,147</u></u> | <u><u>\$22,684,864</u></u> |
| <br><b>Fiduciary Net Position</b>  |                            |                            |
| Contributions - employer   | \$740,235                  | \$740,235                  |
| Contributions - donations and other income                                 |                            |                            |
| Contributions - member   |                            |                            |
| Net investment income  | 2,968,492                  | 369,240                    |
| Other additions  |                            |                            |
| Benefit payments, including member contribution refunds                    | (3,436,887)                | (3,074,421)                |
| Administrative expenses  |                            |                            |
| Other deductibles  | <u>(3,424,568)</u>         |                            |
| Net change in Fiduciary Net Position                                       | (3,152,728)                | (1,964,946)                |
| Fiduciary Net Position at beginning of year                                | <u>19,834,552</u>          | <u>16,681,824</u>          |
| <b>Fiduciary net position at end of year</b>                               | <u><u>\$16,681,824</u></u> | <u><u>\$14,716,878</u></u> |
| <br><b>Net pension liability (asset) at end of year</b>                    | <u><u>\$6,555,323</u></u>  | <u><u>\$7,967,986</u></u>  |
| <br><b>Fiduciary net position as percentage of total pension liability</b> | 71.8%                      | 64.88%                     |
| <b>Covered-employee payroll</b>  | n/a                        | n/a                        |
| <b>Net pension liability as percentage of covered-employee payroll</b>     | n/a                        | n/a                        |

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years \***

*Garfield Pension Plan*

|  | <b>2014</b>      | <b>2015</b>      |
|--|------------------|------------------|
| <b>Total Pension Liability</b>   |                  |                  |
| Service Cost   |                  |                  |
| Interest   | \$30,759         | \$28,597         |
| Differences between expected and actual experience                         |                  | (45,458)         |
| Changes of assumptions   |                  | 64,544           |
| Changes of benefit terms   |                  |                  |
| Benefit payments, including member contribution refunds                    | (87,140)         | (88,883)         |
| Net change in Total Pension Liability                                      | (56,381)         | (41,200)         |
| Total Pension Liability at beginning of year                               | 863,415          | 807,034          |
| <b>Total pension liability at end of year</b>                              | <b>\$807,034</b> | <b>\$765,834</b> |
| <br><b>Fiduciary Net Position</b>  |                  |                  |
| Contributions - employer   | \$102,140        | \$102,140        |
| Contributions - donations and other income                                 |                  |                  |
| Contributions - member   |                  |                  |
| Net investment income  | 227              | 577              |
| Other additions  |                  |                  |
| Benefit payments, including member contribution refunds                    | (87,141)         | (88,883)         |
| Administrative expenses  |                  |                  |
| Other deductibles  |                  |                  |
| Net change in Fiduciary Net Position                                       | 15,226           | 13,834           |
| Fiduciary Net Position at beginning of year                                | 244,661          | 259,887          |
| <b>Fiduciary net position at end of year</b>                               | <b>\$259,887</b> | <b>\$273,721</b> |
| <br><b>Net pension liability (asset) at end of year</b>                    | <b>\$547,147</b> | <b>\$492,113</b> |
| <br><b>Fiduciary net position as percentage of total pension liability</b> | 32.2%            | 35.7%            |
| <b>Covered-employee payroll</b>  | n/a              | n/a              |
| <b>Net pension liability as percentage of covered-employee payroll</b>     | n/a              | n/a              |

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

**Last 10 Fiscal Years**

| <b>Fiscal Year</b>               | <b>(1)<br/>Actuarially<br/>Determined<br/>Contribution<br/>(ADC)</b> | <b>(2)<br/>Employer<br/>Contributions</b> | <b>(3)<br/>Contribution<br/>Deficiency<br/>(Excess)<br/>(1)-(2)</b> | <b>(4)<br/>Covered-<br/>Employee<br/>Payroll</b> | <b>(5)<br/>ADC / Covered-<br/>Employee Payroll<br/>(1)/(4)</b> |
|----------------------------------|--|---|---|--|--|
| <b>Police and Firemen's Plan</b> |  |   |   |  |  |
| June 30, 2006                    | \$2,215,648  | \$2,215,648                               | \$0   | n/a  | n/a  |
| June 30, 2007                    | 2,215,648  | 6,215,648                                 | (4,000,000)   | n/a  | n/a  |
| June 30, 2008                    | 2,199,459  | 5,000,000                                 | (2,800,541)   | n/a  | n/a  |
| June 30, 2009                    | 1,887,057  | 4,800,000                                 | (2,912,943)   | n/a  | n/a  |
| June 30, 2010                    | 2,477,902  | 4,600,000                                 | (2,122,098)   | n/a  | n/a  |
| June 30, 2011                    | 2,257,912  | 0   | 2,257,912   | n/a  | n/a  |
| June 30, 2012                    | 1,596,771  | 0   | 1,596,771   | n/a  | n/a  |
| June 30, 2013                    | 1,813,721  | 1,596,771                                 | 216,950   | n/a  | n/a  |
| June 30, 2014                    | 740,235  | 740,234                                   | 1   | n/a  | n/a  |
| June 30, 2015                    | 740,235  | 740,235                                   | 0   | n/a  | n/a  |
| <b>General Pension Plan</b>      |  |   |   |  |  |
| June 30, 2006                    | \$238,264  | \$238,264                                 | \$0   | n/a  | n/a  |
| June 30, 2007                    | 238,264  | 238,264                                   | 0   | n/a  | n/a  |
| June 30, 2008                    | 307,948  | 307,948                                   | 0   | n/a  | n/a  |
| June 30, 2009                    | 307,948  | 307,948                                   | 0   | n/a  | n/a  |
| June 30, 2010                    | 486,092  | 486,092                                   | 0   | n/a  | n/a  |
| June 30, 2011                    | 486,092  | 486,092                                   | 0   | n/a  | n/a  |
| June 30, 2012                    | 455,662  | 148,186                                   | 307,476   | n/a  | n/a  |
| June 30, 2013                    | 502,278  | 660,992                                   | (158,714)   | n/a  | n/a  |
| June 30, 2014                    | 602,970  | 602,970                                   | 0   | n/a  | n/a  |
| June 30, 2015                    | 602,970  | 602,970                                   | 0   | n/a  | n/a  |
| <b>Garfield Pension Plan</b>     |  |   |   |  |  |
| June 30, 2006                    | \$73,917   | \$73,917                                  | \$0   | n/a  | n/a  |
| June 30, 2007                    | 73,917   | 73,917                                    | 0   | n/a  | n/a  |
| June 30, 2008                    | 72,484   | 72,484                                    | 0   | n/a  | n/a  |
| June 30, 2009                    | 72,484   | 72,484                                    | 0   | n/a  | n/a  |
| June 30, 2010                    | 76,692   | 76,692                                    | 0   | n/a  | n/a  |
| June 30, 2011                    | 76,692   | 76,692                                    | 0   | n/a  | n/a  |
| June 30, 2012                    | 78,731   | 0   | 78,731  | n/a  | n/a  |
| June 30, 2013                    | 92,092   | 77,000                                    | 15,092  | n/a  | n/a  |
| June 30, 2014                    | 102,140  | 102,140                                   | 0   | n/a  | n/a  |
| June 30, 2015                    | 102,140  | 102,140                                   | 0   | n/a  | n/a  |

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS (Continued)**

**Notes to Schedule:**

|  | <b>Police and Firemen's Plan</b>  | <b>General Pension Plan</b> | <b>Garfield Pension Plan</b> |
|--|---|-----------------------------|------------------------------|
| Actuarially determined contribution rates are calculated as of the end of the fiscal year in which contributions are reported. |   |                             |                              |
| Methods and assumptions used to determine contribution rates:  |   |                             |                              |
| Actuarial cost method  | Entry age normal cost   | Entry age normal cost       | Entry age normal cost        |
| Amortization method  | <b>Investment Gains &amp; Losses:</b> Straight-line amortization over a closed 5-year period.   |                             |                              |
|  | <b>Effects of Assumptions Changes and Experience Gains and Losses:</b>  |                             |                              |
|  | Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members that are provided with pensions through the pension plan. |                             |                              |
|  | Since the plan no longer has active members, the effects of assumption changes and experience gains and losses are recognized immediately.  |                             |                              |
| Remaining amortization period  | 5 years   | 5 years                     | 5 years                      |
| Asset valuation method   | Market value of assets  | Market value of assets      | Market value of assets       |
| Inflation  | 2.75%   | 2.75%                       | 2.75%                        |
| Salary increases used to estimate future increases to pensions   | N/A   | N/A                         | N/A                          |
| Discount rate, net of investment expenses  | 5.75%   | 3.00%                       | 3.00%                        |
| Retirement age   | Closed to new members   | Closed to new members       | Closed to new members        |
| Mortality  | California PERS Mortality Table in its 2014 experience study<br>(based on CalPERS 2001 - 2011 experience)   |                             |                              |

**SCHEDULE OF INVESTMENT RETURNS**

**Last 10 Fiscal Years \***

| <b>Annual money-weighted rate<br/>of return, net of investment expense</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|
| <b>Police and Fireman's Plan</b>   | 3.90%       | 2.40%       |
| <b>General Pension Plan</b>  | 0.10%       | 0.30%       |
| <b>Garfield Pension Plan</b>   | 0.40%       | 0.30%       |

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS**

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

| Fiscal<br>Year | Annual<br>OPEB<br>Cost | Actual<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation<br>(Asset) |
|----------------|------------------------|------------------------|---|-----------------------------------|
| 6/30/2013      | \$8,586,000            | \$4,030,889            | 47%   | \$21,469,178                      |
| 6/30/2014      | 11,427,000             | 2,012,286              | 18%   | 30,883,892                        |
| 6/30/2015      | 12,081,000             | 3,889,097              | 32%   | 39,075,795                        |

**SCHEDULE OF FUNDING PROGRESS**

The Schedule of Funding Progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Entry Age<br>Actuarial<br>Accrued<br>Liability<br>(B) | Overfunded<br>(Underfunded)<br>Actuarial<br>Accrued<br>Liability<br>(A - B) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | Overfunded<br>(Underfunded)<br>Actuarial<br>Liability as<br>Percentage of<br>Covered Payroll<br>[(A - B)/C] |
|--------------------------------|--|---|---|--------------------------|---------------------------|---|
| 7/1/2009                       | \$6,813,000                            | \$82,883,000  | (\$76,070,000)  | 8%                       | \$69,788,000              | -109%   |
| 7/1/2011                       | 1,804,000                              | 94,486,000  | (92,682,000)  | 2%                       | 72,327,000                | -128%   |
| 7/1/2013                       | 986,000                                | 126,447,000   | (125,461,000)   | 1%                       | 71,393,000                | -176%   |

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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|                                     |
|-------------------------------------|
| <b>NON-MAJOR GOVERNMENTAL FUNDS</b> |
|-------------------------------------|

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

**Lighting and Landscaping Districts Fund** was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area, the Marina Way Development area, and the Marina Bay area.

**Developer Impact Fees** to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

**Secured Pension Override Fund** – The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

**Richmond Neighborhood Stabilization Corporation Fund** - The Richmond Neighborhood Stabilization Corporation Special Revenue Fund accounts for the activities of the Corporation.

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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|   |
|---|
| <b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b> |
|---|

**DEBT SERVICE FUNDS**

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

**Civic Center Debt Service Fund** accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

**General Debt Service Fund** accounts for monies received in connection with the 1995A and the 1999 Series A Pension Obligation Bonds and the related payments on such debt. The 1995 Series A bonds were to refinance the cost of capital improvements, and the 1999 Series A bonds were issued to find a portion of the unfunded accrued actuarial liability in the Pension Fund.

**CAPITAL PROJECTS FUNDS**

**General Capital Improvement Fund** accounts for monies designated for capital improvement projects.

**Measure C/J Fund** was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The half-cent transportation sales tax was renewed under Measure J, effective April 1, 2009. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C and Measure J compliance.

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

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CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015

|   | SPECIAL REVENUE FUNDS |                    |                           |                            |
|---|-----------------------|--------------------|---------------------------|----------------------------|
|   | State<br>Gas Tax      | General<br>Purpose | Paratransit<br>Operations | Employment<br>and Training |
| <b>ASSETS</b>   |                       |                    |                           |                            |
| Cash and investments  | \$2,045,357           | \$19,614           |                           | \$1,240,040                |
| Restricted cash and investments                                       |                       |                    |                           | 4,661                      |
| Receivables:  |                       |                    |                           |                            |
| Accounts, net   | 278,669               |                    | \$2,055                   | 46,076                     |
| Interest  |                       |                    |                           |                            |
| Grants  |                       | 1,175,618          |                           | 1,120,436                  |
| Loans   |                       |                    |                           |                            |
| Prepays and other assets  |                       |                    |                           | 484                        |
| Property held for resale  |                       |                    |                           |                            |
| Total Assets  | \$2,324,026           | \$1,195,232        | \$2,055                   | \$2,411,697                |
| <b>LIABILITIES</b>  |                       |                    |                           |                            |
| Accounts payable and accrued liabilities                              | \$67,227              | \$119,931          | \$13,096                  | \$154,289                  |
| Due to other funds  |                       |                    | 242,673                   |                            |
| Unearned revenue  |                       | 47,966             |                           | 237,639                    |
| Total Liabilities   | 67,227                | 167,897            | 255,769                   | 391,928                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                       |                    |                           |                            |
| Unavailable revenue   |                       | 721,671            |                           | 103,798                    |
| <b>FUND BALANCE</b>   |                       |                    |                           |                            |
| Nonspendable  |                       |                    |                           | 484                        |
| Restricted  | 2,256,799             | 305,664            |                           | 1,915,487                  |
| Assigned  |                       |                    |                           |                            |
| Unassigned  |                       |                    | (253,714)                 |                            |
| Total Fund Balances (Deficits)  | 2,256,799             | 305,664            | (253,714)                 | 1,915,971                  |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | \$2,324,026           | \$1,195,232        | \$2,055                   | \$2,411,697                |

| SPECIAL REVENUE FUNDS |                                    |                       |                          |   | DEBT SERVICE FUNDS            |                           |                      |
|-----------------------|------------------------------------|-----------------------|--------------------------|---|-------------------------------|---------------------------|----------------------|
| Public Safety         | Lighting and Landscaping Districts | Developer Impact Fees | Secured Pension Override | Richmond Neighborhood Stabilization Corporation | 2005 Pension Obligation Bonds | Civic Center Debt Service | General Debt Service |
| \$629,458             | \$972,411                          |                       | \$358                    | \$39,303<br>25,617                              | \$8,148,121                   | \$3,625,455               |                      |
|                       |                                    | \$14,793              |                          |   |                               |                           |                      |
| 24,641                |                                    |                       |                          | 1,011,214                                       |                               |                           |                      |
|                       |                                    |                       |                          | 648,238   |                               |                           |                      |
| <u>\$654,099</u>      | <u>\$972,411</u>                   | <u>\$14,793</u>       | <u>\$358</u>             | <u>\$1,724,372</u>                              | <u>\$8,148,121</u>            | <u>\$3,625,455</u>        |                      |
| \$1,476               | \$33,501                           | \$17,439<br>512,340   |                          | \$18,220<br>88,797                              | \$1,109,177                   | \$745,845<br>3,219,405    |                      |
| <u>1,476</u>          | <u>33,501</u>                      | <u>529,779</u>        |                          | <u>107,017</u>                                  | <u>1,109,177</u>              | <u>3,965,250</u>          |                      |
|                       |                                    |                       |                          | \$1,011,214                                     |                               |                           |                      |
| 652,623               | 938,910                            |                       | \$358                    | 606,141   | 7,038,944                     |                           |                      |
|                       |                                    | (514,986)             |                          |   |                               | (339,795)                 |                      |
| <u>652,623</u>        | <u>938,910</u>                     | <u>(514,986)</u>      | <u>358</u>               | <u>606,141</u>                                  | <u>7,038,944</u>              | <u>(339,795)</u>          |                      |
| <u>\$654,099</u>      | <u>\$972,411</u>                   | <u>\$14,793</u>       | <u>\$358</u>             | <u>\$1,724,372</u>                              | <u>\$8,148,121</u>            | <u>\$3,625,455</u>        |                      |

(Continued)

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015

|   | <u>CAPITAL PROJECTS FUNDS</u>          |                      |                              | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--|----------------------|------------------------------|--|
|   | <u>General Capital<br/>Improvement</u> | <u>Measure C / J</u> | <u>Harbor<br/>Navigation</u> |  |
| <b>ASSETS</b>   |  |                      |                              |  |
| Cash and investments  |  | \$508,452            | \$430,083                    | \$5,885,076                                |
| Restricted cash and investments                                       | \$3,580,942                            |                      | 345,225                      | 15,730,021                                 |
| Receivables:  |  |                      |                              |  |
| Accounts, net   |  | 1,322,036            |                              | 1,663,629                                  |
| Interest  | 13                                     |                      |                              | 13   |
| Grants  | 1,036,926                              | 151,095              |                              | 3,508,716                                  |
| Loans   |  |                      |                              | 1,011,214                                  |
| Prepays and other assets  |  |                      |                              | 484  |
| Land held for resale  |  |                      |                              | 648,238                                    |
|   | <u>\$4,617,881</u>                     | <u>\$1,981,583</u>   | <u>\$775,308</u>             | <u>\$28,447,391</u>                        |
| Total Assets  |  |                      |                              |  |
| <b>LIABILITIES</b>  |  |                      |                              |  |
| Accounts payable and accrued liabilities                              | \$674,112                              | \$119,962            |                              | \$1,219,253                                |
| Due to other funds  | 778,023                                |                      |                              | 3,476,855                                  |
| Unearned revenue  |  |                      |                              | 3,505,010                                  |
|   | <u>1,452,135</u>                       | <u>119,962</u>       |                              | <u>8,201,118</u>                           |
| Total Liabilities   |  |                      |                              |  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |  |                      |                              |  |
| Unavailable revenue   | 252,097                                | 1,473,131            |                              | 3,561,911                                  |
|   | <u>252,097</u>                         | <u>1,473,131</u>     |                              | <u>3,561,911</u>                           |
| <b>FUND BALANCE</b>   |  |                      |                              |  |
| Nonspendable  |  |                      |                              | 484  |
| Restricted  | 2,913,649                              | 388,490              | \$345,225                    | 17,362,290                                 |
| Assigned  |  |                      | 430,083                      | 430,083                                    |
| Unassigned  |  |                      |                              | (1,108,495)                                |
|   | <u>2,913,649</u>                       | <u>388,490</u>       | <u>775,308</u>               | <u>16,684,362</u>                          |
| Total Fund Balances (Deficits)  |  |                      |                              |  |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$4,617,881</u>                     | <u>\$1,981,583</u>   | <u>\$775,308</u>             | <u>\$28,447,391</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, 2015

|  | SPECIAL REVENUE FUNDS |                    |                           |                            |
|--|-----------------------|--------------------|---------------------------|----------------------------|
|  | State<br>Gas Tax      | General<br>Purpose | Paratransit<br>Operations | Employment<br>and Training |
| REVENUES   |                       |                    |                           |                            |
| Property taxes   |                       |                    |                           |                            |
| Licenses, permits and fees                                   |                       | \$18,750           |                           | \$709,970                  |
| Fines, forfeitures and penalties                             |                       | 21,284             |                           |                            |
| Use of money and property                                    | \$4,559               | 3,233              |                           |                            |
| Intergovernmental  | 2,955,407             | 2,428,618          | \$1,035,625               | 2,941,156                  |
| Charges for services   |                       |                    | 43,515                    | 212,827                    |
| Pension stabilization revenue                                |                       |                    |                           |                            |
| Other  |                       | 5,434              | 6,683                     | 156,113                    |
| <b>Total Revenues</b>  | <b>2,959,966</b>      | <b>2,477,319</b>   | <b>1,085,823</b>          | <b>4,020,066</b>           |
| EXPENDITURES   |                       |                    |                           |                            |
| Current:   |                       |                    |                           |                            |
| General government   |                       | 179,066            | 1,071,261                 |                            |
| Public safety  |                       | 948,003            |                           |                            |
| Public works   | 918,994               | 2,725              |                           |                            |
| Community development  |                       |                    |                           | 4,416,071                  |
| Cultural and recreational                                    |                       | 313,571            |                           |                            |
| Housing and redevelopment                                    |                       |                    |                           |                            |
| Capital outlay   | 1,340,241             | 848,465            |                           |                            |
| Debt Service:  |                       |                    |                           |                            |
| Principal  |                       |                    |                           |                            |
| Interest and fiscal charges                                  |                       |                    |                           |                            |
| <b>Total Expenditures</b>                                    | <b>2,259,235</b>      | <b>2,291,830</b>   | <b>1,071,261</b>          | <b>4,416,071</b>           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>700,731</b>        | <b>185,489</b>     | <b>14,562</b>             | <b>(396,005)</b>           |
| OTHER FINANCING SOURCES (USES)                               |                       |                    |                           |                            |
| Issuance of debt   |                       |                    |                           |                            |
| Transfers in   |                       | 24,666             | 50,000                    | 909,496                    |
| Transfers (out)  |                       | (213,327)          |                           |                            |
| <b>Total Other Financing Sources (Uses)</b>                  |                       | <b>(188,661)</b>   | <b>50,000</b>             | <b>909,496</b>             |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>700,731</b>        | <b>(3,172)</b>     | <b>64,562</b>             | <b>513,491</b>             |
| <b>BEGINNING FUND BALANCES (DEFICITS)</b>                    | <b>1,556,068</b>      | <b>308,836</b>     | <b>(318,276)</b>          | <b>1,402,480</b>           |
| <b>ENDING FUND BALANCES (DEFICITS)</b>                       | <b>\$2,256,799</b>    | <b>\$305,664</b>   | <b>(\$253,714)</b>        | <b>\$1,915,971</b>         |

| SPECIAL REVENUE FUNDS |                                    |                       |                          |   | DEBT SERVICE FUNDS            |                           |                      |
|-----------------------|------------------------------------|-----------------------|--------------------------|---|-------------------------------|---------------------------|----------------------|
| Public Safety         | Lighting and Landscaping Districts | Developer Impact Fees | Secured Pension Override | Richmond Neighborhood Stabilization Corporation | 2005 Pension Obligation Bonds | Civic Center Debt Service | General Debt Service |
|                       | \$1,368,669                        |                       | \$4,584,426              |   | \$9,640,316                   |                           |                      |
|                       |                                    | \$2,571,803           |                          |   |                               |                           |                      |
| \$4,202               | 2,750                              | 4,574                 | 4,864                    |   | 855                           | \$471                     |                      |
| 238,616               | 19,940                             |                       |                          |   |                               | 103,750                   |                      |
|                       |                                    |                       |                          |   | 954,202                       |                           |                      |
| 162,150               |                                    |                       |                          |   |                               |                           |                      |
| 404,968               | 1,391,359                          | 2,576,377             | 4,589,290                |   | 10,595,373                    | 104,221                   |                      |
|                       |                                    |                       | 16,091                   |   |                               |                           |                      |
| 269,618               | 1,951,656                          |                       | 740,235                  |   |                               |                           |                      |
|                       |                                    | 46,385                |                          | \$42,097  |                               |                           |                      |
|                       |                                    | 734,301               |                          |   |                               |                           |                      |
|                       | 64,135                             |                       |                          |   | 4,468,000                     |                           | \$1,190,000          |
|                       | 10,961                             |                       |                          |   | 5,072,780                     | 6,797,594                 | 899,727              |
| 269,618               | 2,026,752                          | 780,686               | 756,326                  | 42,097  | 9,540,780                     | 6,797,594                 | 2,089,727            |
| 135,350               | (635,393)                          | 1,795,691             | 3,832,964                | (42,097)  | 1,054,593                     | (6,693,373)               | (2,089,727)          |
|                       | 567,350                            |                       |                          |   |                               | 10,659,909                |                      |
| (665,028)             |                                    |                       | (3,837,954)              |   | (998,839)                     | (421,513)                 | 2,108,174            |
| (665,028)             | 567,350                            |                       | (3,837,954)              |   | (998,839)                     | 10,238,396                | 2,108,174            |
| (529,678)             | (68,043)                           | 1,795,691             | (4,990)                  | (42,097)  | 55,754                        | 3,545,023                 | 18,447               |
| 1,182,301             | 1,006,953                          | (2,310,677)           | 5,348                    | 648,238   | 6,983,190                     | (3,884,818)               | (18,447)             |
| \$652,623             | \$938,910                          | (\$514,986)           | \$358                    | \$606,141                                       | \$7,038,944                   | (\$339,795)               |                      |

(Continued)

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

|  | <u>CAPITAL PROJECTS FUNDS</u>          |                      |                              | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--|----------------------|------------------------------|--|
|  | <u>General Capital<br/>Improvement</u> | <u>Measure C / J</u> | <u>Harbor<br/>Navigation</u> |  |
| <b>REVENUES</b>  |  |                      |                              |  |
| Property taxes   |  |                      |                              | \$15,593,411                               |
| Licenses, permits and fees                                   |  |                      |                              | 3,300,523                                  |
| Fines, forfeitures and penalties                             |  |                      |                              | 21,284                                     |
| Use of money and property                                    | \$799                                  | \$1,806              | \$1,371                      | 29,484                                     |
| Intergovernmental  | 893,362                                | 985,910              |                              | 11,478,694                                 |
| Charges for services   |  |                      |                              | 380,032                                    |
| Pension stabilization revenue                                |  |                      |                              | 954,202                                    |
| Other  | 176,151                                |                      |                              | 506,531                                    |
|  | <u>1,070,312</u>                       | <u>987,716</u>       | <u>1,371</u>                 | <u>32,264,161</u>                          |
| <b>EXPENDITURES</b>  |  |                      |                              |  |
| Current:   |  |                      |                              |  |
| General government   |  |                      |                              | 1,266,418                                  |
| Public safety  |  |                      |                              | 1,957,856                                  |
| Public works   | 525,043                                | 261,784              |                              | 3,660,202                                  |
| Community development  |  |                      |                              | 4,416,071                                  |
| Cultural and recreational                                    | 3,068                                  |                      |                              | 363,024                                    |
| Housing and redevelopment                                    |  |                      |                              | 42,097                                     |
| Capital outlay   | 3,368,762                              | 1,287,060            |                              | 7,578,829                                  |
| Debt Service:  |  |                      |                              |  |
| Principal  |  |                      |                              | 5,722,135                                  |
| Interest and fiscal charges                                  |  |                      |                              | 12,781,062                                 |
|  | <u>3,896,873</u>                       | <u>1,548,844</u>     | <u>1,371</u>                 | <u>37,787,694</u>                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |  |                      |                              |  |
|  | <u>(2,826,561)</u>                     | <u>(561,128)</u>     | <u>1,371</u>                 | <u>(5,523,533)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                      |                              |  |
| Issuance of debt   | 515,527                                |                      |                              | 11,175,436                                 |
| Transfers in   |  | 39,352               |                              | 3,699,038                                  |
| Transfers (out)  | (24,666)                               |                      |                              | (6,161,327)                                |
|  | <u>490,861</u>                         | <u>39,352</u>        | <u>1,371</u>                 | <u>8,713,147</u>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           |  |                      |                              |  |
|  | (2,335,700)                            | (521,776)            | 1,371                        | 3,189,614                                  |
| <b>BEGINNING FUND BALANCES (DEFICITS)</b>                    |  |                      |                              |  |
|  | <u>5,249,349</u>                       | <u>910,266</u>       | <u>773,937</u>               | <u>13,494,748</u>                          |
| <b>ENDING FUND BALANCES (DEFICITS)</b>                       |  |                      |                              |  |
|  | <u>\$2,913,649</u>                     | <u>\$388,490</u>     | <u>\$775,308</u>             | <u>\$16,684,362</u>                        |

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CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | STATE GAS TAX      |                    |                                    | GENERAL PURPOSE    |                  |                                    |
|--|--------------------|--------------------|------------------------------------|--------------------|------------------|------------------------------------|
|  | Budget             | Actual             | Variance<br>Positive<br>(Negative) | Budget             | Actual           | Variance<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |                    |                    |                                    |                    |                  |                                    |
| Property taxes   |                    |                    |                                    |                    |                  |                                    |
| Licenses, permits and fees                                   |                    |                    |                                    | \$425,000          | \$18,750         | (\$406,250)                        |
| Fines, forfeitures and penalties                             |                    |                    |                                    | 20,000             | 21,284           | 1,284                              |
| Use of money and property                                    | \$13,135           | \$4,559            | (\$8,576)                          | 2,000              | 3,233            | 1,233                              |
| Intergovernmental  | 2,644,939          | 2,955,407          | 310,468                            | 2,563,949          | 2,428,618        | (135,331)                          |
| Charges for services   |                    |                    |                                    |                    |                  |                                    |
| Pension stabilization revenue                                |                    |                    |                                    |                    |                  |                                    |
| Other  |                    |                    |                                    | 57,998             | 5,434            | (52,564)                           |
| <b>Total Revenues</b>  | <b>2,658,074</b>   | <b>2,959,966</b>   | <b>301,892</b>                     | <b>3,068,947</b>   | <b>2,477,319</b> | <b>(591,628)</b>                   |
| <b>EXPENDITURES</b>  |                    |                    |                                    |                    |                  |                                    |
| Current:   |                    |                    |                                    |                    |                  |                                    |
| General government   |                    |                    |                                    | 380,320            | 179,066          | 201,254                            |
| Public safety  |                    |                    |                                    | 1,323,818          | 948,003          | 375,815                            |
| Public works   | 1,489,592          | 918,994            | 570,598                            | 5,136              | 2,725            | 2,411                              |
| Community development  |                    |                    |                                    |                    |                  |                                    |
| Cultural and recreational                                    |                    |                    |                                    | 940,470            | 313,571          | 626,899                            |
| Housing and redevelopment                                    |                    |                    |                                    |                    |                  |                                    |
| Capital outlay   | 1,462,928          | 1,340,241          | 122,687                            | 1,010,826          | 848,465          | 162,361                            |
| Debt Service:  |                    |                    |                                    |                    |                  |                                    |
| Principal  |                    |                    |                                    |                    |                  |                                    |
| Interest and fiscal charges                                  |                    |                    |                                    |                    |                  |                                    |
| <b>Total Expenditures</b>                                    | <b>2,952,520</b>   | <b>2,259,235</b>   | <b>693,285</b>                     | <b>3,660,570</b>   | <b>2,291,830</b> | <b>1,368,740</b>                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(294,446)</b>   | <b>700,731</b>     | <b>995,177</b>                     | <b>(591,623)</b>   | <b>185,489</b>   | <b>777,112</b>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                    |                                    |                    |                  |                                    |
| Issuance of debt   |                    |                    |                                    |                    |                  |                                    |
| Transfers in   |                    |                    |                                    | 24,666             | 24,666           |                                    |
| Transfers (out)  |                    |                    |                                    | (10,000)           | (213,327)        | (203,327)                          |
| <b>Total Other Financing Sources (Uses)</b>                  |                    |                    |                                    | <b>14,666</b>      | <b>(188,661)</b> | <b>(203,327)</b>                   |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(\$294,446)</b> | <b>700,731</b>     | <b>\$995,177</b>                   | <b>(\$576,957)</b> | <b>(3,172)</b>   | <b>\$573,785</b>                   |
| <b>BEGINNING FUND BALANCES (DEFICITS)</b>                    |                    | <b>1,556,068</b>   |                                    |                    | <b>308,836</b>   |                                    |
| <b>ENDING FUND BALANCES (DEFICITS)</b>                       |                    | <b>\$2,256,799</b> |                                    |                    | <b>\$305,664</b> |                                    |

| PARATRANSIT OPERATIONS |             |                              | PUBLIC SAFETY |           |                              | LIGHTING AND LANDSCAPING DISTRICTS |             |                              |
|------------------------|-------------|------------------------------|---------------|-----------|------------------------------|------------------------------------|-------------|------------------------------|
| Budget                 | Actual      | Variance Positive (Negative) | Budget        | Actual    | Variance Positive (Negative) | Budget                             | Actual      | Variance Positive (Negative) |
|                        |             |                              |               |           |                              | \$1,367,848                        | \$1,368,669 | \$821                        |
| \$827,426              | \$1,035,625 | \$208,199                    | \$3,535       | \$4,202   | \$667                        |                                    | 2,750       | 2,750                        |
| 50,000                 | 43,515      | (6,485)                      | 333,686       | 238,616   | (95,070)                     |                                    | 19,940      | 19,940                       |
|                        | 6,683       | 6,683                        | 157,000       | 162,150   | 5,150                        |                                    |             |                              |
| 877,426                | 1,085,823   | 208,397                      | 494,221       | 404,968   | (89,253)                     | 1,367,848                          | 1,391,359   | 23,511                       |
| 1,109,872              | 1,071,261   | 38,611                       | 736,593       | 269,618   | 466,975                      | 1,973,506                          | 1,951,656   | 21,850                       |
|                        |             |                              | 114,000       |           | 114,000                      |                                    |             |                              |
|                        |             |                              |               |           |                              | 64,135                             | 64,135      |                              |
|                        |             |                              |               |           |                              | 10,961                             | 10,961      |                              |
| 1,109,872              | 1,071,261   | 38,611                       | 850,593       | 269,618   | 580,975                      | 2,048,602                          | 2,026,752   | 21,850                       |
| (232,446)              | 14,562      | 247,008                      | (356,372)     | 135,350   | 491,722                      | (680,754)                          | (635,393)   | 45,361                       |
| 50,000                 | 50,000      |                              |               | (665,028) | (665,028)                    | 567,350                            | 567,350     |                              |
| 50,000                 | 50,000      |                              |               | (665,028) | (665,028)                    | 567,350                            | 567,350     |                              |
| (\$182,446)            | 64,562      | \$247,008                    | (\$356,372)   | (529,678) | (\$173,306)                  | (\$113,404)                        | (68,043)    | \$45,361                     |
|                        | (318,276)   |                              |               | 1,182,301 |                              |                                    | 1,006,953   |                              |
|                        | (\$253,714) |                              |               | \$652,623 |                              |                                    | \$938,910   |                              |

(Continued)

CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | DEVELOPER IMPACT FEES |                    |                        | RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION |                  |                        |
|--|-----------------------|--------------------|------------------------|---|------------------|------------------------|
|  | Budget                | Actual             | Variance               | Budget  | Actual           | Variance               |
|  |                       |                    | Positive<br>(Negative) |   |                  | Positive<br>(Negative) |
| REVENUES   |                       |                    |                        |   |                  |                        |
| Property taxes                                       |                       |                    |                        |   |                  |                        |
| Licenses, permits and fees                           | \$101,312             | \$2,571,803        | \$2,470,491            |   |                  |                        |
| Fines, forfeitures and penalties                     |                       |                    |                        |   |                  |                        |
| Use of money and property                            | 11,833                | 4,574              | (7,259)                |   |                  |                        |
| Intergovernmental                                    |                       |                    |                        |   |                  |                        |
| Charges for services                                 |                       |                    |                        |   |                  |                        |
| Pension stabilization revenue                        |                       |                    |                        |   |                  |                        |
| Other  |                       |                    |                        |   |                  |                        |
| <b>Total Revenues</b>                                | <b>113,145</b>        | <b>2,576,377</b>   | <b>2,463,232</b>       |   |                  |                        |
| EXPENDITURES   |                       |                    |                        |   |                  |                        |
| Current:   |                       |                    |                        |   |                  |                        |
| General government                                   |                       |                    |                        |   |                  |                        |
| Public safety  | 77,794                |                    | 77,794                 |   |                  |                        |
| Public works   |                       |                    |                        |   |                  |                        |
| Community development                                |                       |                    |                        |   |                  |                        |
| Cultural and recreational                            | 133,000               | 46,385             | 86,615                 |   |                  |                        |
| Housing and redevelopment                            |                       |                    |                        | \$51,843  | \$42,097         | \$9,746                |
| Capital outlay                                       | 928,009               | 734,301            | 193,708                |   |                  |                        |
| Debt Service:  |                       |                    |                        |   |                  |                        |
| Principal  |                       |                    |                        |   |                  |                        |
| Interest and fiscal charges                          |                       |                    |                        |   |                  |                        |
| <b>Total Expenditures</b>                            | <b>1,138,803</b>      | <b>780,686</b>     | <b>358,117</b>         | <b>51,843</b>                                   | <b>42,097</b>    | <b>9,746</b>           |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(1,025,658)</u>    | <u>1,795,691</u>   | <u>2,821,349</u>       | <u>(51,843)</u>                                 | <u>(42,097)</u>  | <u>9,746</u>           |
| OTHER FINANCING SOURCES (USES)                       |                       |                    |                        |   |                  |                        |
| Transfers in   |                       |                    |                        |   |                  |                        |
| Transfers (out)                                      |                       |                    |                        |   |                  |                        |
| <b>Total Other Financing Sources (Uses)</b>          |                       |                    |                        |   |                  |                        |
| NET CHANGE IN FUND BALANCES                          | <u>(\$1,025,658)</u>  | <u>1,795,691</u>   | <u>\$2,821,349</u>     | <u>(\$51,843)</u>                               | <u>(42,097)</u>  | <u>\$9,746</u>         |
| BEGINNING FUND BALANCES (DEFICITS)                   |                       | <u>(2,310,677)</u> |                        |   | <u>648,238</u>   |                        |
| ENDING FUND BALANCES (DEFICITS)                      |                       | <u>(\$514,986)</u> |                        |   | <u>\$606,141</u> |                        |

| 2005 PENSION OBLIGATION BONDS |                    |                              | CIVIC CENTER DEBT SERVICE |                    |                              | GENERAL DEBT SERVICE |                    |                              |
|-------------------------------|--------------------|------------------------------|---------------------------|--------------------|------------------------------|----------------------|--------------------|------------------------------|
| Budget                        | Actual             | Variance Positive (Negative) | Budget                    | Actual             | Variance Positive (Negative) | Budget               | Actual             | Variance Positive (Negative) |
| \$9,640,316                   | \$9,640,316        |                              |                           |                    |                              |                      |                    |                              |
|                               | 855                | \$855                        |                           | \$471              | \$471                        |                      |                    |                              |
| 955,243                       | 954,202            | (1,041)                      | \$3,852,952               | 103,750            | (3,749,202)                  |                      |                    |                              |
| <u>10,595,559</u>             | <u>10,595,373</u>  | <u>(186)</u>                 | <u>3,852,952</u>          | <u>104,221</u>     | <u>(3,748,731)</u>           |                      |                    |                              |
| 4,468,000                     | 4,468,000          |                              |                           |                    |                              | \$1,190,000          | \$1,190,000        |                              |
| 5,116,181                     | 5,072,780          | 43,401                       | 5,441,171                 | 6,797,594          | (1,356,423)                  | 900,478              | 899,727            | \$751                        |
| 9,584,181                     | 9,540,780          | 43,401                       | 5,441,171                 | 6,797,594          | (1,356,423)                  | 2,090,478            | 2,089,727          | 751                          |
| <u>1,011,378</u>              | <u>1,054,593</u>   | <u>43,215</u>                | <u>(1,588,219)</u>        | <u>(6,693,373)</u> | <u>(5,105,154)</u>           | <u>(2,090,478)</u>   | <u>(2,089,727)</u> | <u>751</u>                   |
|                               |                    |                              |                           | 10,659,909         | 10,659,909                   | 2,103,978            | 2,108,174          | 4,196                        |
| (980,575)                     | (998,839)          | (18,264)                     |                           | (421,513)          | (421,513)                    |                      |                    |                              |
| (980,575)                     | (998,839)          | (18,264)                     |                           | 10,238,396         | 10,238,396                   | 2,103,978            | 2,108,174          | 4,196                        |
| <u>\$30,803</u>               | 55,754             | <u>\$24,951</u>              | <u>(\$1,588,219)</u>      | 3,545,023          | <u>\$5,133,242</u>           | <u>\$13,500</u>      | 18,447             | <u>\$4,947</u>               |
|                               | 6,983,190          |                              |                           | (3,884,818)        |                              |                      | (18,447)           |                              |
|                               | <u>\$7,038,944</u> |                              |                           | <u>(\$339,795)</u> |                              |                      |                    |                              |

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**CITY OF RICHMOND**  
**JUNE 30, 2015**

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|                                   |
|-----------------------------------|
| <b>NON-MAJOR ENTERPRISE FUNDS</b> |
|-----------------------------------|

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

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

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

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2015

|  | Richmond<br>Marina | Storm<br>Sewer | Cable<br>TV | Total       |
|--|--------------------|----------------|-------------|-------------|
| <b>ASSETS</b>                            |                    |                |             |             |
| Current Assets                           |                    |                |             |             |
| Cash and investments                     | \$3,262,392        |                | \$585,231   | \$3,847,623 |
| Receivables:                             |                    |                |             |             |
| Accounts                                 | 65,245             | \$3,011        | 357,623     | 425,879     |
| Total Current Assets                     | 3,327,637          | 3,011          | 942,854     | 4,273,502   |
| Noncurrent Assets                        |                    |                |             |             |
| Capital assets:                          |                    |                |             |             |
| Depreciable, net                         | 1,693,522          | 2,859,557      | 49,864      | 4,602,943   |
| Advances to other funds                  |                    | 167,451        |             | 167,451     |
| Total Noncurrent Assets                  | 1,693,522          | 3,027,008      | 49,864      | 4,770,394   |
| Total Assets                             | 5,021,159          | 3,030,019      | 992,718     | 9,043,896   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |                    |                |             |             |
| Deferred outflows related to pensions    |                    | 44,507         | 92,603      | 137,110     |
| Total Deferred Outflows of Resources     |                    | 44,507         | 92,603      | 137,110     |
| <b>LIABILITIES</b>                       |                    |                |             |             |
| Current Liabilities                      |                    |                |             |             |
| Accounts payable and accrued liabilities |                    | 17,650         | 6,336       | 23,986      |
| Refundable deposits                      | 80,681             | 1,200          |             | 81,881      |
| Interest payable                         | 118,024            |                |             | 118,024     |
| Due to other funds                       |                    | 2,328,495      |             | 2,328,495   |
| Compensated absences                     |                    | 8,647          | 40,684      | 49,331      |
| Current portion of long term debt        | 78,062             |                |             | 78,062      |
| Total Current Liabilities                | 276,767            | 2,355,992      | 47,020      | 2,679,779   |
| Noncurrent Liabilities                   |                    |                |             |             |
| Advance from other funds                 |                    | 2,139,930      |             | 2,139,930   |
| Long-term debt                           | 2,783,127          |                |             | 2,783,127   |
| Net pension liability                    |                    | 542,942        | 1,129,670   | 1,672,612   |
| Total Noncurrent Liabilities             | 2,783,127          | 2,682,872      | 1,129,670   | 6,595,669   |
| Total Liabilities                        | 3,059,894          | 5,038,864      | 1,176,690   | 9,275,448   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>     |                    |                |             |             |
| Deferred inflows related to pensions     |                    | 146,886        | 305,618     | 452,504     |
| Total Deferred Inflows of Resources      |                    | 146,886        | 305,618     | 452,504     |
| <b>NET POSITION</b>                      |                    |                |             |             |
| Net investment in capital assets         | (1,167,667)        | 2,859,557      | 49,864      | 1,741,754   |
| Unrestricted                             | 3,128,932          | (4,970,781)    | (446,851)   | (2,288,700) |
| Total Net Position                       | \$1,961,265        | (\$2,111,224)  | (\$396,987) | (\$546,946) |

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Richmond<br>Marina | Storm<br>Sewer       | Cable<br>TV        | Total              |
|---|--------------------|----------------------|--------------------|--------------------|
| <b>OPERATING REVENUES</b>                     |                    |                      |                    |                    |
| Service charges                               |                    | \$1,841,085          | \$1,139,258        | \$2,980,343        |
| Lease income                                  | \$488,201          | 4,563                |                    | 492,764            |
| Other   |                    |                      | 236,936            | 236,936            |
| <b>Total Operating Revenues</b>               | <b>488,201</b>     | <b>1,845,648</b>     | <b>1,376,194</b>   | <b>3,710,043</b>   |
| <b>OPERATING EXPENSES</b>                     |                    |                      |                    |                    |
| Salaries and benefits                         |                    | 271,139              | 624,302            | 895,441            |
| General and administrative                    | 20,824             | 2,007,909            | 301,049            | 2,329,782          |
| Depreciation                                  | 85,196             | 929,867              | 23,031             | 1,038,094          |
| Other   |                    |                      | 44                 | 44                 |
| <b>Total Operating Expenses</b>               | <b>106,020</b>     | <b>3,208,915</b>     | <b>948,426</b>     | <b>4,263,361</b>   |
| <b>Operating Income (Loss)</b>                | <b>382,181</b>     | <b>(1,363,267)</b>   | <b>427,768</b>     | <b>(553,318)</b>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                    |                      |                    |                    |
| Interest income                               | 9,506              |                      | 2,137              | 11,643             |
| Interest (expense)                            | (129,034)          | (73,491)             |                    | (202,525)          |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>(119,528)</b>   | <b>(73,491)</b>      | <b>2,137</b>       | <b>(190,882)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                    |                      |                    |                    |
| Grants  |                    | 311,932              |                    | 311,932            |
| Transfers out                                 | (100,000)          |                      | (500,000)          | (600,000)          |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(100,000)</b>   | <b>311,932</b>       | <b>(500,000)</b>   | <b>(288,068)</b>   |
| <b>Change in Net Position</b>                 | <b>162,653</b>     | <b>(1,124,826)</b>   | <b>(70,095)</b>    | <b>(1,032,268)</b> |
| <b>BEGINNING NET POSITION, AS RESTATED</b>    | <b>1,798,612</b>   | <b>(986,398)</b>     | <b>(326,892)</b>   | <b>485,322</b>     |
| <b>ENDING NET POSITION</b>                    | <b>\$1,961,265</b> | <b>(\$2,111,224)</b> | <b>(\$396,987)</b> | <b>(\$546,946)</b> |

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Richmond<br>Marina | Storm<br>Sewer     | Cable<br>TV      | TOTAL              |
|--|--------------------|--------------------|------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                    |                    |                  |                    |
| Receipts from customers  | \$477,544          | \$1,848,597        | \$1,354,201      | \$3,680,342        |
| Payments to suppliers  | (23,315)           | (2,277,438)        | (306,685)        | (2,607,438)        |
| Payments to employees  |                    | (284,597)          | (627,430)        | (912,027)          |
|  | <u>454,229</u>     | <u>(713,438)</u>   | <u>420,086</u>   | <u>160,877</u>     |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>         |                    |                    |                  |                    |
| Transfers Out  | (100,000)          |                    | (500,000)        | (600,000)          |
| Interfund receipts (payments)                                      |                    | 474,997            |                  | 474,997            |
|  | <u>(100,000)</u>   | <u>474,997</u>     | <u>(500,000)</u> | <u>(125,003)</u>   |
| <b>CASH FLOWS FROM CAPITAL<br/>FINANCING ACTIVITIES:</b>           |                    |                    |                  |                    |
| Grant receipts   |                    | 311,932            |                  | 311,932            |
| Repayment of long-term borrowing                                   | (74,700)           |                    |                  | (74,700)           |
| Interest paid  | (132,115)          | (73,491)           |                  | (205,606)          |
|  | <u>(206,815)</u>   | <u>238,441</u>     |                  | <u>31,626</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                       |                    |                    |                  |                    |
| Interest received  | 10,137             |                    | 2,283            | 12,420             |
|  | <u>10,137</u>      |                    | <u>2,283</u>     | <u>12,420</u>      |
|  | <u>157,551</u>     |                    | <u>(77,631)</u>  | <u>79,920</u>      |
| Cash and investments at beginning of period                        | 3,104,841          |                    | 662,862          | 3,767,703          |
| Cash and investments at end of period                              | <u>\$3,262,392</u> |                    | <u>\$585,231</u> | <u>\$3,847,623</u> |
| <b>Reconciliation of operating income (loss) to net cash flows</b> |                    |                    |                  |                    |
| from operating activities:   |                    |                    |                  |                    |
| Operating income (loss)  | \$382,181          | (\$1,363,267)      | \$427,768        | (\$553,318)        |
| Adjustments to reconcile operating income to net cash flows        |                    |                    |                  |                    |
| from operating activities:   |                    |                    |                  |                    |
| Depreciation   | 85,196             | 929,867            | 23,031           | 1,038,094          |
| Change in assets and liabilities:                                  |                    |                    |                  |                    |
| Accounts receivable  | (10,657)           | 2,949              | (21,993)         | (29,701)           |
| Accounts payable and accrued liabilities                           |                    |                    |                  |                    |
| and other accrued expenses   | (2,491)            | (269,529)          | (5,592)          | (277,612)          |
| Compensated absences   |                    | (11,391)           | 1,170            | (10,221)           |
| Net pension liability and deferred outflows/inflows                |                    |                    |                  |                    |
| of resources   |                    | (2,067)            | (4,298)          | (6,365)            |
|  | <u>\$454,229</u>   | <u>(\$713,438)</u> | <u>\$420,086</u> | <u>\$160,877</u>   |

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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| <b>INTERNAL SERVICE FUNDS</b> |
|-------------------------------|

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

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

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

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

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

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

CITY OF RICHMOND  
INTERNAL SERVICES FUND  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2015

|  | Insurance<br>Reserves | Equipment<br>Services and<br>Replacement | Police<br>Tele-<br>communications | Total              |
|--|-----------------------|--|-----------------------------------|--------------------|
| <b>ASSETS</b>                            |                       |  |                                   |                    |
| Current Assets                           |                       |  |                                   |                    |
| Cash and investments                     | \$3,583,044           | \$485,069                                | \$1,169,284                       | \$5,237,397        |
| Receivables:                             |                       |  |                                   |                    |
| Accounts                                 |                       |  | 310,189                           | 310,189            |
| Interest                                 | 178                   |  |                                   | 178                |
| Loan                                     | 750,000               |  |                                   | 750,000            |
| Due from other funds                     | 19,845,158            |  |                                   | 19,845,158         |
| Total Current Assets                     | <u>24,178,380</u>     | <u>485,069</u>                           | <u>1,479,473</u>                  | <u>26,142,922</u>  |
| Noncurrent Assets                        |                       |  |                                   |                    |
| Capital assets:                          |                       |  |                                   |                    |
| Nondepreciable                           |                       | 230,725                                  |                                   | 230,725            |
| Depreciable, net                         |                       | 6,279,036                                | 160,754                           | 6,439,790          |
| Advances to other funds                  | 2,139,930             |  |                                   | 2,139,930          |
| Total Noncurrent Assets                  | <u>2,139,930</u>      | <u>6,509,761</u>                         | <u>160,754</u>                    | <u>8,810,445</u>   |
| Total Assets                             | <u>26,318,310</u>     | <u>6,994,830</u>                         | <u>1,640,227</u>                  | <u>34,953,367</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |                       |  |                                   |                    |
| Deferred outflows related to pensions    | 234,738               |  |                                   | 234,738            |
| Total Deferred Outflows of Resources     | <u>234,738</u>        |  |                                   | <u>234,738</u>     |
| <b>LIABILITIES</b>                       |                       |  |                                   |                    |
| Current Liabilities                      |                       |  |                                   |                    |
| Accounts payable and accrued liabilities | 169,540               | 19,500                                   | 45,866                            | 234,906            |
| Interest payable                         |                       | 298                                      |                                   | 298                |
| Accrued claims liabilities               | 7,919,524             |  |                                   | 7,919,524          |
| Current portion of long-term debt        |                       | 342,808                                  |                                   | 342,808            |
| Total Current Liabilities                | <u>8,089,064</u>      | <u>362,606</u>                           | <u>45,866</u>                     | <u>8,497,536</u>   |
| Noncurrent Liabilities                   |                       |  |                                   |                    |
| Compensated absences                     | 71,374                |  | 190,831                           | 262,205            |
| Unearned revenue                         |                       |  | 1,197,765                         | 1,197,765          |
| Accrued claims liabilities               | 21,664,216            |  |                                   | 21,664,216         |
| Long-term debt                           |                       | 534,132                                  |                                   | 534,132            |
| Net pension liability                    | 2,863,581             |  |                                   | 2,863,581          |
| Total Noncurrent Liabilities             | <u>24,599,171</u>     | <u>534,132</u>                           | <u>1,388,596</u>                  | <u>26,521,899</u>  |
| Total Liabilities                        | <u>32,688,235</u>     | <u>896,738</u>                           | <u>1,434,462</u>                  | <u>35,019,435</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>     |                       |  |                                   |                    |
| Deferred inflows related to pensions     | 774,705               |  |                                   | 774,705            |
| Total Deferred Inflows of Resources      | <u>774,705</u>        |  |                                   | <u>774,705</u>     |
| <b>NET POSITION (DEFICIT)</b>            |                       |  |                                   |                    |
| Net investment in capital assets         |                       | 5,632,821                                | 160,754                           | 5,793,575          |
| Unrestricted                             | (6,909,892)           | 465,271                                  | 45,011                            | (6,399,610)        |
| Total Net Position (Deficit)             | <u>(\$6,909,892)</u>  | <u>\$6,098,092</u>                       | <u>\$205,765</u>                  | <u>(\$606,035)</u> |

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Insurance<br>Reserves | Equipment<br>Services and<br>Replacement | Police<br>Tele-<br>communications | Total              |
|--|-----------------------|--|-----------------------------------|--------------------|
| <b>OPERATING REVENUES</b>                                |                       |  |                                   |                    |
| Charges for services-internal                            | \$17,632,785          | \$350,000                                | \$3,382,452                       | \$21,365,237       |
| Charges for services-external                            |                       |  | 1,664,198                         | 1,664,198          |
| <b>Total Operating Revenues</b>                          | <b>17,632,785</b>     | <b>350,000</b>                           | <b>5,046,650</b>                  | <b>23,029,435</b>  |
| <b>OPERATING EXPENSES</b>                                |                       |  |                                   |                    |
| Salaries and benefits                                    | 1,301,266             |  | 3,883,298                         | 5,184,564          |
| General and administrative                               | 1,338,233             | 182,004                                  | 749,404                           | 2,269,641          |
| Maintenance  |                       | 134,707                                  | 363,175                           | 497,882            |
| Depreciation   |                       | 1,962,792                                | 110,759                           | 2,073,551          |
| Claims losses  | 15,857,256            |  |                                   | 15,857,256         |
| Other  | 10,351                |  |                                   | 10,351             |
| <b>Total Operating Expenses</b>                          | <b>18,507,106</b>     | <b>2,279,503</b>                         | <b>5,106,636</b>                  | <b>25,893,245</b>  |
| <b>Operating Income (Loss)</b>                           | <b>(874,321)</b>      | <b>(1,929,503)</b>                       | <b>(59,986)</b>                   | <b>(2,863,810)</b> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |                       |  |                                   |                    |
| Gain (loss) from sale of property                        |                       | (81,055)                                 |                                   | (81,055)           |
| Interest income  | 142,693               | 2,301                                    |                                   | 144,994            |
| Interest expense   |                       | (38,301)                                 |                                   | (38,301)           |
| <b>Total Nonoperating Revenues (Expenses)</b>            | <b>142,693</b>        | <b>(117,055)</b>                         |                                   | <b>25,638</b>      |
| <b>Income Before Transfers</b>                           | <b>(731,628)</b>      | <b>(2,046,558)</b>                       | <b>(59,986)</b>                   | <b>(2,838,172)</b> |
| <b>Transfers in</b>                                      | <b>400,000</b>        | <b>714,081</b>                           |                                   | <b>1,114,081</b>   |
| <b>Net Transfers</b>                                     | <b>400,000</b>        | <b>714,081</b>                           |                                   | <b>1,114,081</b>   |
| <b>Change in Net Position</b>                            | <b>(331,628)</b>      | <b>(1,332,477)</b>                       | <b>(59,986)</b>                   | <b>(1,724,091)</b> |
| <b>BEGINNING NET POSITION (DEFICIT),<br/>AS RESTATED</b> | <b>(6,578,264)</b>    | <b>7,430,569</b>                         | <b>265,751</b>                    | <b>1,118,056</b>   |
| <b>ENDING NET POSITION (DEFICIT)</b>                     | <b>(\$6,909,892)</b>  | <b>\$6,098,092</b>                       | <b>\$205,765</b>                  | <b>(\$606,035)</b> |

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Insurance<br>Reserves | Equipment<br>Services and<br>Replacement | Police<br>Tele-<br>communications | Total              |
|---|-----------------------|--|-----------------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                       |  |                                   |                    |
| Receipts from customers   | \$18,032,785          | \$350,000                                | \$5,074,827                       | \$23,457,612       |
| Payments to employees   | (1,294,363)           |  | (3,890,993)                       | (5,185,356)        |
| Payments to suppliers   | (1,271,929)           | (408,051)                                | (1,073,544)                       | (2,753,524)        |
| Insurance premiums and claims paid  | (11,970,666)          |  |                                   | (11,970,666)       |
| <b>Cash Flows from Operating Activities</b>   | <b>3,495,827</b>      | <b>(58,051)</b>                          | <b>110,290</b>                    | <b>3,548,066</b>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                       |  |                                   |                    |
| Interfund payments  | (962,214)             |  |                                   | (962,214)          |
| Transfers in  | 400,000               | 714,081                                  |                                   | 1,114,081          |
| <b>Cash Flows from Noncapital Financing Activities</b>  | <b>(562,214)</b>      | <b>714,081</b>                           |                                   | <b>151,867</b>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                       |  |                                   |                    |
| Acquisition of capital assets   |                       | (894,081)                                |                                   | (894,081)          |
| Principal payments on capital debt  |                       | (572,646)                                |                                   | (572,646)          |
| Interest and fiscal charges paid  |                       | (38,473)                                 |                                   | (38,473)           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                               |                       | <b>(1,505,200)</b>                       |                                   | <b>(1,505,200)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                       |  |                                   |                    |
| Interest  | 146,563               | 2,680                                    | 80                                | 149,323            |
| <b>Cash Flows from Investing Activities</b>   | <b>146,563</b>        | <b>2,680</b>                             | <b>80</b>                         | <b>149,323</b>     |
| <b>Net Cash Flows</b>   | <b>3,080,176</b>      | <b>(846,490)</b>                         | <b>110,370</b>                    | <b>2,344,056</b>   |
| Cash and investments at beginning of period   | 502,868               | 1,331,559                                | 1,058,914                         | 2,893,341          |
| Cash and investments at end of period   | <u>\$3,583,044</u>    | <u>\$485,069</u>                         | <u>\$1,169,284</u>                | <u>\$5,237,397</u> |
| <b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b> |                       |  |                                   |                    |
| Operating income (loss)   | (\$874,321)           | (\$1,929,503)                            | (\$59,986)                        | (\$2,863,810)      |
| <b>Adjustments to reconcile operating income to net cash flows from operating activities:</b> |                       |  |                                   |                    |
| Depreciation  |                       | 1,962,792                                | 110,759                           | 2,073,551          |
| <b>Change in assets and liabilities:</b>  |                       |  |                                   |                    |
| Receivables, net  | 400,000               |  | 167,484                           | 567,484            |
| Accounts and other payables   | 76,655                | (91,340)                                 | 39,035                            | 24,350             |
| Unearned revenue  |                       |  | (139,307)                         | (139,307)          |
| Compensated absences  | 17,800                |  | (7,695)                           | 10,105             |
| Claims payable  | 3,886,590             |  |                                   | 3,886,590          |
| (Decrease) increase in due to retirement system   | (10,897)              |  |                                   | (10,897)           |
| <b>Cash Flows from Operating Activities</b>   | <b>\$3,495,827</b>    | <b>(\$58,051)</b>                        | <b>\$110,290</b>                  | <b>\$3,548,066</b> |
| <b>Non cash transactions:</b>   |                       |  |                                   |                    |
| Retirement of capital assets  |                       | \$81,055                                 |                                   | \$81,055           |

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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

**PENSION TRUST FUNDS**

**General Pension Fund** records the activity of the General Pension Plan, a defined benefit pension plan that covers 28 former City employees not covered by PERS, all of whom have retired.

**Police and Fireman's Pension Fund** records the activity of the Police and Fireman's Pension Plan, a defined benefit pension plan that covers 75 police and fire personnel employed prior to October 1964.

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

**PRIVATE-PURPOSE TRUST FUNDS**

**Pt. Molate Fund** is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate.

**Successor Agency to the Richmond Community Redevelopment Agency Fund** accounts for the activities of the Successor Agency to the former Redevelopment Agency.

CITY OF RICHMOND  
STATEMENT OF PENSION TRUST FUNDS NET POSITION  
JUNE 30, 2015

|  | <u>General<br/>Pension</u> | <u>Police and<br/>Fireman's<br/>Pension</u> | <u>Garfield<br/>Pension</u> | <u>Total</u>          |
|--|----------------------------|---|-----------------------------|-----------------------|
| ASSETS                                     |                            |   |                             |                       |
| Pension plan cash and investments:         |                            |   |                             |                       |
| City of Richmond investment pool           | \$975,637                  | \$1,361,101                                 | \$101,282                   | \$2,438,020           |
| Local Agency Investment Fund               |                            |   | 172,439                     | 172,439               |
| Mutual Fund Investments                    |                            | <u>13,355,777</u>                           |                             | <u>13,355,777</u>     |
| <br>Total Assets                           | <br><u>975,637</u>         | <br><u>14,716,878</u>                       | <br><u>273,721</u>          | <br><u>15,966,236</u> |
| NET POSITION                               |                            |   |                             |                       |
| Restricted for employees' pension benefits | <u>\$975,637</u>           | <u>\$14,716,878</u>                         | <u>\$273,721</u>            | <u>\$15,966,236</u>   |

CITY OF RICHMOND  
PENSION TRUST FUNDS  
STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

|  | <u>General<br/>Pension</u> | <u>Police and<br/>Fireman's<br/>Pension</u> | <u>Garfield<br/>Pension</u> | <u>Total</u>        |
|--|----------------------------|---|-----------------------------|---------------------|
| ADDITIONS  |                            |   |                             |                     |
| Net investment income:                                   |                            |   |                             |                     |
| Net increase (decrease) in the fair value of investments |                            | \$162,654                                   |                             | \$162,654           |
| Interest income  | \$2,016                    | 309,623                                     | \$576                       | 312,215             |
| Investment management fees                               |                            | (103,037)                                   |                             | (103,037)           |
| Contributions to trust                                   | <u>602,970</u>             | <u>740,235</u>                              | <u>102,140</u>              | <u>1,445,345</u>    |
| Total Additions  | <u>604,986</u>             | <u>1,109,475</u>                            | <u>102,716</u>              | <u>1,817,177</u>    |
| DEDUCTIONS   |                            |   |                             |                     |
| Pension benefits   | <u>672,545</u>             | <u>3,074,421</u>                            | <u>88,882</u>               | <u>3,835,848</u>    |
| Total Deductions   | <u>672,545</u>             | <u>3,074,421</u>                            | <u>88,882</u>               | <u>3,835,848</u>    |
| Net Increase (Decrease)                                  | <u>(67,559)</u>            | <u>(1,964,946)</u>                          | <u>13,834</u>               | <u>(2,018,671)</u>  |
| NET POSITION RESTRICTED FOR PENSIONS                     |                            |   |                             |                     |
| Beginning of year  | <u>1,043,196</u>           | <u>16,681,824</u>                           | <u>259,887</u>              | <u>17,984,907</u>   |
| End of year  | <u>\$975,637</u>           | <u>\$14,716,878</u>                         | <u>\$273,721</u>            | <u>\$15,966,236</u> |

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

|   | Pt. Molate   | Successor<br>Agency to the<br>Richmond Community<br>Redevelopment Agency | Total          |
|---|--------------|--|----------------|
| <b>ASSETS</b>                                 |              |  |                |
| Cash and investments                          |              | \$919,176  | \$919,176      |
| Restricted cash and investments               | \$12,759,446 | 24,602,695   | 37,362,141     |
| Accounts receivable                           | 11,497       | 180,538  | 192,035        |
| Interest receivable                           | 113          |  | 113            |
| Grants receivable                             |              | 9,814,385  | 9,814,385      |
| Loans receivable                              |              | 2,086,000  | 2,086,000      |
| Prepays and other assets                      |              | 6,955,456  | 6,955,456      |
| Capital assets:                               |              |  |                |
| Nondepreciable                                |              | 22,931,406   | 22,931,406     |
| Depreciable, net                              |              | 8,395  | 8,395          |
| Total Assets                                  | 12,771,056   | 67,498,051   | 80,269,107     |
| <b>LIABILITIES</b>                            |              |  |                |
| Accounts payable and accrued liabilities      | 4,339,516    | 2,663,608  | 7,003,124      |
| Interest payable                              |              | 1,505,119  | 1,505,119      |
| Derivative instrument at fair value-liability |              | 5,809,000  | 5,809,000      |
| Long-term debt:                               |              |  |                |
| Due within one year                           |              | 7,050,500  | 7,050,500      |
| Due in more than one year                     |              | 110,414,779  | 110,414,779    |
| Total Liabilities                             | 4,339,516    | 127,443,006  | 131,782,522    |
| <b>NET POSITION</b>                           |              |  |                |
| Held in trust other governments               | \$8,431,540  | (\$59,944,955)   | (\$51,513,415) |

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

|  | <u>Pt. Molate</u>         | <u>Successor<br/>Agency to the<br/>Richmond Community<br/>Redevelopment Agency</u> | <u>Total</u>                 |
|--|---------------------------|--|------------------------------|
| <b>ADDITIONS</b>                             |                           |  |                              |
| Property taxes                               |                           | \$17,206,306   | \$17,206,306                 |
| Investment income                            | \$1,889                   | 1,594,996  | 1,596,885                    |
| Intergovernmental revenue                    |                           | 12,682,972   | 12,682,972                   |
| Miscellaneous revenue                        |                           | 290,409  | 290,409                      |
|  | <u>1,889</u>              | <u>31,774,683</u>  | <u>31,776,572</u>            |
| <b>DEDUCTIONS</b>                            |                           |  |                              |
| Community development                        |                           | 13,630,179   | 13,630,179                   |
| Payments in accordance with trust agreements | 10,359,428                |  | 10,359,428                   |
| Payment to the County                        |                           | 4,067,242  | 4,067,242                    |
| Depreciation                                 |                           | 12,369   | 12,369                       |
| Interest and fiscal charges                  |                           | 5,856,114  | 5,856,114                    |
|  | <u>10,359,428</u>         | <u>23,565,904</u>  | <u>33,925,332</u>            |
| Change in net position                       | (10,357,539)              | 8,208,779  | (2,148,760)                  |
| NET POSITION (DEFICIT), BEGINNING OF YEAR    | <u>18,789,079</u>         | <u>(68,153,734)</u>  | <u>(49,364,655)</u>          |
| NET POSITION (DEFICIT), END OF YEAR          | <u><u>\$8,431,540</u></u> | <u><u>(\$59,944,955)</u></u>   | <u><u>(\$51,513,415)</u></u> |

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2015

|   | <u>Redevelopment<br/>Property Tax<br/>Trust Fund</u> | <u>Administration</u> | <u>Capital<br/>Projects</u> | <u>Low to<br/>Moderate<br/>Income Housing</u> |
|---|--|-----------------------|-----------------------------|---|
| <b>ASSETS</b>                                 |  |                       |                             |   |
| Cash and investments                          | \$904,415  | \$12,695              |                             |   |
| Restricted cash and investments               |  |                       | \$2,738,031                 |   |
| Accounts receivable                           |  |                       | 180,538                     |   |
| Grants receivable                             |  |                       | 9,814,385                   |   |
| Loans receivable                              |  |                       | 2,086,000                   |   |
| Due from other funds                          | 8,205,764  |                       |                             |   |
| Prepays and other assets                      |  |                       | 6,955,456                   |   |
| Capital assets:                               |  |                       |                             |   |
| Nondepreciable                                |  |                       | 22,931,406                  |   |
| Depreciable, net                              |  |                       | 8,395                       |   |
| Total Assets                                  | <u>9,110,179</u>                                     | <u>12,695</u>         | <u>44,714,211</u>           |   |
| <b>LIABILITIES</b>                            |  |                       |                             |   |
| Accounts payable and accrued liabilities      |  | 12,695                | 2,648,847                   |   |
| Due to other funds                            |  |                       | 7,749,391                   |   |
| Interest payable                              |  |                       |                             |   |
| Derivative instrument at fair value-liability |  |                       |                             |   |
| Long-term debt:                               |  |                       |                             |   |
| Due within one year                           |  |                       |                             |   |
| Due in more than one year                     |  |                       |                             |   |
| Total Liabilities                             |  | <u>12,695</u>         | <u>10,398,238</u>           |   |
| <b>NET POSITION (DEFICIT)</b>                 |  |                       |                             |   |
| Held in trust for other governments           | <u>\$9,110,179</u>                                   |                       | <u>\$34,315,973</u>         |   |

| <u>Bond Funded<br/>Capital<br/>Projects</u> | <u>Bond<br/>Payments</u> | <u>Intra Fund<br/>Eliminations</u> | <u>Total</u>          |
|---|--------------------------|------------------------------------|-----------------------|
|   | \$2,066                  |                                    | \$919,176             |
| \$1,606,257                                 | 20,258,407               |                                    | 24,602,695            |
|   |                          |                                    | 180,538               |
|   |                          |                                    | 9,814,385             |
|   |                          |                                    | 2,086,000             |
|   |                          | (\$8,205,764)                      |                       |
|   |                          |                                    | 6,955,456             |
|   |                          |                                    | 22,931,406            |
|   |                          |                                    | 8,395                 |
| <u>1,606,257</u>                            | <u>20,260,473</u>        | <u>(8,205,764)</u>                 | <u>67,498,051</u>     |
|   | \$2,066                  |                                    | 2,663,608             |
| 456,373                                     |                          | (8,205,764)                        |                       |
|   | 1,505,119                |                                    | 1,505,119             |
|   | 5,809,000                |                                    | 5,809,000             |
|   | 7,050,500                |                                    | 7,050,500             |
|   | 110,414,779              |                                    | 110,414,779           |
| <u>456,373</u>                              | <u>124,781,464</u>       | <u>(8,205,764)</u>                 | <u>127,443,006</u>    |
| <u>\$1,149,884</u>                          | <u>(\$104,520,991)</u>   |                                    | <u>(\$59,944,955)</u> |

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF CHANGES IN NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

|   | <u>Redevelopment<br/>Property Tax<br/>Trust Fund</u> | <u>Administration</u> | <u>Capital<br/>Projects</u> | <u>Low to<br/>Moderate<br/>Income Housing</u> |
|---|--|-----------------------|-----------------------------|---|
| ADDITIONS                                 |  |                       |                             |   |
| Property taxes                            | \$17,206,306   |                       |                             |   |
| Investment income                         |  |                       | \$149,969                   |   |
| Intergovernmental revenue                 |  | \$511,644             | 11,173,328                  |   |
| Transfers from other funds                |  | 521,067               | 2,756,286                   |   |
| Miscellaneous revenue                     |  |                       | 290,409                     |   |
|   |  |                       | <u>290,409</u>              |   |
| Total Additions                           | <u>17,206,306</u>                                    | <u>1,032,711</u>      | <u>14,369,992</u>           |   |
| DEDUCTIONS                                |  |                       |                             |   |
| Community development                     |  | 1,032,711             | 12,597,468                  |   |
| Payment to the County                     |  |                       |                             | \$4,067,242                                   |
| Depreciation                              |  |                       | 12,369                      |   |
| Interest and fiscal charges               |  |                       |                             |   |
| Transfers to other funds                  | <u>15,371,862</u>                                    |                       | <u>34,815</u>               |   |
| Total Deductions                          | <u>15,371,862</u>                                    | <u>1,032,711</u>      | <u>12,644,652</u>           | <u>4,067,242</u>                              |
| Change in net position                    | 1,834,444  |                       | 1,725,340                   | (4,067,242)                                   |
| NET POSITION (DEFICIT), BEGINNING OF YEAR | <u>7,275,735</u>                                     |                       | <u>32,590,633</u>           | <u>4,067,242</u>                              |
| NET POSITION (DEFICIT), END OF YEAR       | <u><u>\$9,110,179</u></u>                            |                       | <u><u>\$34,315,973</u></u>  |   |

| <u>Bond Funded<br/>Capital<br/>Projects</u> | <u>Bond<br/>Payments</u> | <u>Intra Fund<br/>Eliminations</u> | <u>Total</u>          |
|---|--------------------------|------------------------------------|-----------------------|
|   |                          |                                    | \$17,206,306          |
| \$510                                       | \$1,444,517              |                                    | 1,594,996             |
|   | 998,000                  |                                    | 12,682,972            |
|   | 13,028,779               | (\$16,306,132)                     | 290,409               |
| <u>510</u>                                  | <u>15,471,296</u>        | <u>(16,306,132)</u>                | <u>31,774,683</u>     |
|   |                          |                                    | 13,630,179            |
|   |                          |                                    | 4,067,242             |
|   |                          |                                    | 12,369                |
|   | 5,856,114                |                                    | 5,856,114             |
| <u>874,635</u>                              | <u>24,820</u>            | <u>(16,306,132)</u>                |                       |
| <u>874,635</u>                              | <u>5,880,934</u>         | <u>(16,306,132)</u>                | <u>23,565,904</u>     |
| (874,125)                                   | 9,590,362                |                                    | 8,208,779             |
| <u>2,024,009</u>                            | <u>(114,111,353)</u>     |                                    | <u>(68,153,734)</u>   |
| <u>\$1,149,884</u>                          | <u>(\$104,520,991)</u>   |                                    | <u>(\$59,944,955)</u> |

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**CITY OF RICHMOND**  
**JUNE 30, 2015**

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|                     |
|---------------------|
| <b>AGENCY FUNDS</b> |
|---------------------|

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

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

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

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

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

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

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

**2006 A&B Reassessment District Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | Balance<br>June 30, 2014 | Additions        | Reductions       | Balance<br>June 30, 2015 |
|--|--------------------------|------------------|------------------|--------------------------|
| <u>Special Assessment</u>                |                          |                  |                  |                          |
| Cash and investments                     | \$1,015,577              | \$551,713        | \$537,664        | \$1,029,626              |
| Restricted cash and investments          | 653,333                  | 146              |                  | 653,479                  |
| Interest receivable                      | 207                      |                  | 207              |                          |
| Total Assets                             | <u>\$1,669,117</u>       | <u>\$551,859</u> | <u>\$537,871</u> | <u>\$1,683,105</u>       |
| Due to assessment district bondholders   | <u>\$1,669,117</u>       | <u>\$551,859</u> | <u>\$537,871</u> | <u>\$1,683,105</u>       |
| <u>General Agency</u>                    |                          |                  |                  |                          |
| Cash and investments                     | \$1,096,803              | \$63,125         | \$150            | \$1,159,778              |
| Interest receivable                      | 224                      |                  | 224              |                          |
| Total Assets                             | <u>\$1,097,027</u>       | <u>\$63,125</u>  | <u>\$374</u>     | <u>\$1,159,778</u>       |
| Accounts payable and accrued liabilities | \$112                    | \$9,531          | \$112            | \$9,531                  |
| Refundable Deposits                      | 1,096,915                | 53,594           | 262              | 1,150,247                |
| Total Liabilities                        | <u>\$1,097,027</u>       | <u>\$63,125</u>  | <u>\$374</u>     | <u>\$1,159,778</u>       |
| <u>Johnson Library</u>                   |                          |                  |                  |                          |
| Cash and investments                     | \$10,156                 | \$33             |                  | \$10,189                 |
| Interest receivable                      | 2                        |                  | \$2              |                          |
| Total Assets                             | <u>\$10,158</u>          | <u>\$33</u>      | <u>\$2</u>       | <u>\$10,189</u>          |
| Refundable deposits                      | <u>\$10,158</u>          | <u>\$33</u>      | <u>\$2</u>       | <u>\$10,189</u>          |
| <u>Senior Center</u>                     |                          |                  |                  |                          |
| Cash and investments                     | \$50,092                 | \$4,774          | \$3,061          | \$51,805                 |
| Interest receivable                      | 9                        |                  | 9                |                          |
| Total Assets                             | <u>\$50,101</u>          | <u>\$4,774</u>   | <u>\$3,070</u>   | <u>\$51,805</u>          |
| Accounts payable and accrued liabilities | \$3,061                  | \$2,548          | \$3,061          | \$2,548                  |
| Refundable Deposits                      | 47,040                   | 2,226            | 9                | 49,257                   |
| Total Liabilities                        | <u>\$50,101</u>          | <u>\$4,774</u>   | <u>\$3,070</u>   | <u>\$51,805</u>          |

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | Balance<br>June 30, 2014 | Additions          | Reductions         | Balance<br>June 30, 2015 |
|---|--------------------------|--------------------|--------------------|--------------------------|
| <u>JPFA Reassessment</u>                  |                          |                    |                    |                          |
| Cash and investments                      | \$2,184,981              | \$922,913          | \$806,568          | \$2,301,326              |
| Restricted cash and investments           | 621,469                  | 12,729             |                    | 634,198                  |
| Interest receivable                       | 441                      |                    | 441                |                          |
| Investment in reassessment bonds          | <u>4,295,000</u>         |                    | <u>660,000</u>     | <u>3,635,000</u>         |
| Total Assets                              | <u>\$7,101,891</u>       | <u>\$935,642</u>   | <u>\$1,467,009</u> | <u>\$6,570,524</u>       |
| Due to assessment district bondholders    | <u>\$7,101,891</u>       | <u>\$935,642</u>   | <u>\$1,467,009</u> | <u>\$6,570,524</u>       |
| <u>Payroll Benefits</u>                   |                          |                    |                    |                          |
| Cash and investments                      | \$306,754                | \$800,185          | \$227,671          | \$879,268                |
| Accounts receivable                       | <u>136,501</u>           | <u>227,671</u>     | <u>136,501</u>     | <u>227,671</u>           |
| Total Assets                              | <u>\$443,255</u>         | <u>\$1,027,856</u> | <u>\$364,172</u>   | <u>\$1,106,939</u>       |
| Accounts payable and accrued liabilities  | <u>\$443,255</u>         | <u>\$1,027,856</u> | <u>\$364,172</u>   | <u>\$1,106,939</u>       |
| <u>2006 A&amp;B Reassessment District</u> |                          |                    |                    |                          |
| Cash and investments                      | \$956,633                | \$931,340          | \$872,019          | \$1,015,954              |
| Restricted cash and investments           | 570,689                  |                    | 51,147             | 519,542                  |
| Interest receivable                       | 190                      |                    | 190                |                          |
| Investment in reassessment bonds          | <u>9,047,500</u>         |                    | <u>305,000</u>     | <u>8,742,500</u>         |
| Total Assets                              | <u>\$10,575,012</u>      | <u>\$931,340</u>   | <u>\$1,228,356</u> | <u>\$10,277,996</u>      |
| Due to assessment district bondholders    | <u>\$10,575,012</u>      | <u>\$931,340</u>   | <u>\$1,228,356</u> | <u>\$10,277,996</u>      |

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | Balance<br>June 30, 2014 | Additions          | Reductions         | Balance<br>June 30, 2015 |
|--|--------------------------|--------------------|--------------------|--------------------------|
| <hr/>                                    |                          |                    |                    |                          |
| Total Agency Funds                       |                          |                    |                    |                          |
| Cash and investments                     | \$5,620,996              | \$3,274,083        | \$2,447,133        | \$6,447,946              |
| Restricted cash and investments          | 1,845,491                | 12,875             | 51,147             | 1,807,219                |
| Investment in reassessment bonds         | 13,342,500               |                    | 965,000            | 12,377,500               |
| Accounts receivable                      | 136,501                  | 227,671            | 136,501            | 227,671                  |
| Interest receivable                      | 1,073                    |                    | 1,073              |                          |
| Total Assets                             | <u>\$20,946,561</u>      | <u>\$3,514,629</u> | <u>\$3,600,854</u> | <u>\$20,860,336</u>      |
| Accounts payable and accrued liabilities | \$446,428                | \$1,039,935        | \$367,345          | \$1,119,018              |
| Refundable Deposits                      | 1,154,113                | 55,853             | 273                | 1,209,693                |
| Due to assessment district bondholders   | <u>19,346,020</u>        | <u>2,418,841</u>   | <u>3,233,236</u>   | <u>18,531,625</u>        |
| Total Liabilities                        | <u>\$20,946,561</u>      | <u>\$3,514,629</u> | <u>\$3,600,854</u> | <u>\$20,860,336</u>      |

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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**STATISTICAL SECTION**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

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

***Revenue Capacity***

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

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections
5. Utility Users Tax Collections
6. Utility Users Tax Direct Rates
7. Top Ten Utility Users Taxpayers

***Debt Capacity***

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

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999, 2006, 2008, 2010A & 2010B Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, 2004, 2007 and 2009 Port Terminal Lease Revenue Bonds, Note and Point Potrero Lease Revenue Bonds.
4. Bonded Debt Pledged Revenue Coverage –Tax Allocation Bonds
5. General Bonded Debt – Pension Obligation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

***Demographic and Economic Information***

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

1. Demographic and Economic Statistics
2. Principal Employers

**CITY OF RICHMOND**  
**JUNE 30, 2015**

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***Operating Information***

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

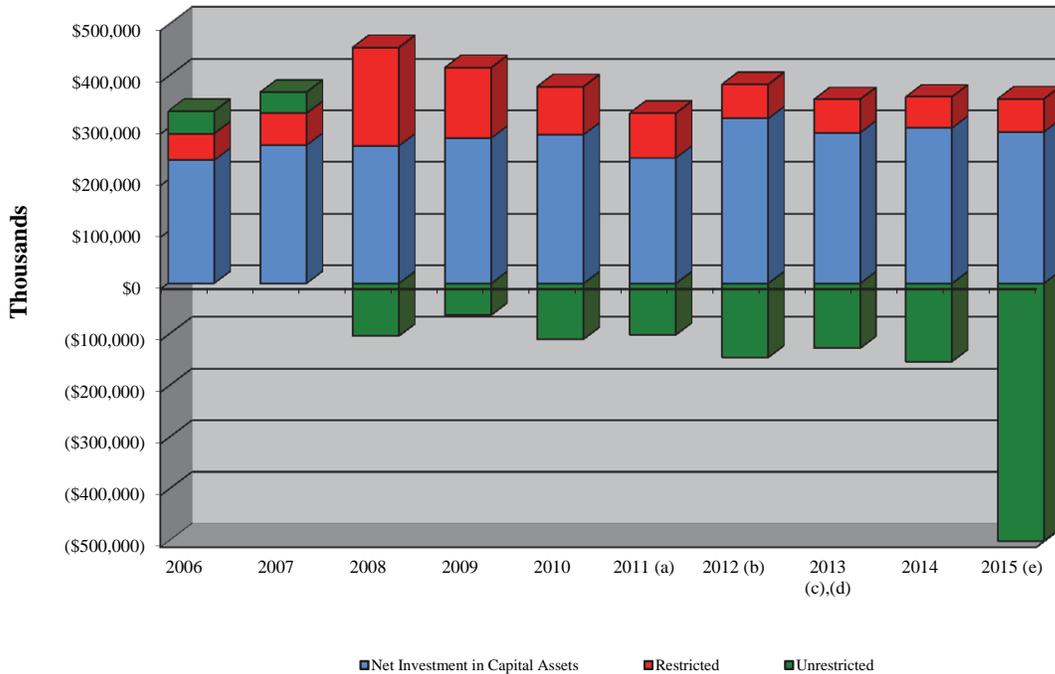
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***

Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

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**CITY OF RICHMOND**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



|  | <b>Fiscal Year Ended June 30</b> |                      |                      |                      |                      |
|--|----------------------------------|----------------------|----------------------|----------------------|----------------------|
|  | <b>2006</b>                      | <b>2007</b>          | <b>2008</b>          | <b>2009</b>          | <b>2010</b>          |
| <b>Governmental activities</b>                     |                                  |                      |                      |                      |                      |
| Net investment in capital assets                   | \$155,930,914                    | \$170,258,857        | \$188,467,600        | \$201,607,368        | \$201,197,639        |
| Restricted   | 49,291,795                       | 60,271,169           | 188,950,882          | 135,801,179          | 72,114,985           |
| Unrestricted                                       | 44,525,862                       | 48,795,188           | (101,295,871)        | (57,236,422)         | (66,103,671)         |
| <b>Total governmental activities net position</b>  | <b>\$249,748,571</b>             | <b>\$279,325,214</b> | <b>\$276,122,611</b> | <b>\$280,172,125</b> | <b>\$207,208,953</b> |
| <b>Business-type activities</b>                    |                                  |                      |                      |                      |                      |
| Net investment in capital assets                   | \$82,419,674                     | \$97,164,301         | \$77,558,806         | \$79,540,643         | \$86,432,590         |
| Restricted   | 2,283,065                        | 1,427,804            | 1,526,840            | 612,613              | 21,150,740           |
| Unrestricted                                       | (1,351,641)                      | (8,084,756)          | (519,625)            | (3,963,417)          | (42,004,396)         |
| <b>Total business-type activities net position</b> | <b>\$83,351,098</b>              | <b>\$90,507,349</b>  | <b>\$78,566,021</b>  | <b>\$76,189,839</b>  | <b>\$65,578,934</b>  |
| <b>Primary government</b>                          |                                  |                      |                      |                      |                      |
| Net investment in capital assets                   | \$238,350,588                    | \$267,423,158        | \$266,026,406        | \$281,148,011        | \$287,630,229        |
| Restricted   | 51,574,860                       | 61,698,973           | 190,477,722          | 136,413,792          | 93,265,725           |
| Unrestricted                                       | 43,174,221                       | 40,710,432           | (101,815,496)        | (61,199,839)         | (108,108,067)        |
| <b>Total primary government net position</b>       | <b>\$333,099,669</b>             | <b>\$369,832,563</b> | <b>\$354,688,632</b> | <b>\$356,361,964</b> | <b>\$272,787,887</b> |

- (a) Balance was restated in fiscal year 2012. Years prior to 2011 have not been restated.
- (b) Balance was restated in fiscal year 2013. Years prior to 2012 have not been restated.
- (c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".
- (d) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.
- (e) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.

**Fiscal Year Ended June 30**

| <u>2011 (a)</u>             | <u>2012 (b)</u>             | <u>2013 (c),(d)</u>         | <u>2014</u>                 | <u>2015 (e)</u>               |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| \$164,739,567               | \$242,281,323               | \$214,572,546               | \$227,828,243               | \$218,144,811                 |
| 78,105,002                  | 57,989,820                  | 55,396,056                  | 50,461,923                  | 54,578,939                    |
| <u>(83,013,306)</u>         | <u>(118,620,471)</u>        | <u>(119,231,699)</u>        | <u>(148,161,106)</u>        | <u>(479,961,080)</u>          |
| <u><u>\$159,831,263</u></u> | <u><u>\$181,650,672</u></u> | <u><u>\$150,736,903</u></u> | <u><u>\$130,129,060</u></u> | <u><u>(\$207,237,330)</u></u> |
| <br>                        |                             |                             |                             |                               |
| \$78,162,970                | \$76,731,871                | \$76,966,448                | \$72,911,000                | \$74,922,303                  |
| 8,334,722                   | 8,169,878                   | 9,196,255                   | 9,793,767                   | 9,408,237                     |
| <u>(16,389,951)</u>         | <u>(24,759,367)</u>         | <u>(6,365,742)</u>          | <u>(3,096,845)</u>          | <u>(18,432,590)</u>           |
| <u><u>\$70,107,741</u></u>  | <u><u>\$60,142,382</u></u>  | <u><u>\$79,796,961</u></u>  | <u><u>\$79,607,922</u></u>  | <u><u>\$65,897,950</u></u>    |
| <br>                        |                             |                             |                             |                               |
| \$242,902,537               | \$319,013,194               | \$291,538,994               | \$300,739,243               | \$293,067,114                 |
| 86,439,724                  | 66,159,698                  | 64,592,311                  | 60,255,690                  | 63,987,176                    |
| <u>(99,403,257)</u>         | <u>(143,379,838)</u>        | <u>(125,597,441)</u>        | <u>(151,257,951)</u>        | <u>(498,393,670)</u>          |
| <u><u>\$229,939,004</u></u> | <u><u>\$241,793,054</u></u> | <u><u>\$230,533,864</u></u> | <u><u>\$209,736,982</u></u> | <u><u>(\$141,339,380)</u></u> |

**CITY OF RICHMOND**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

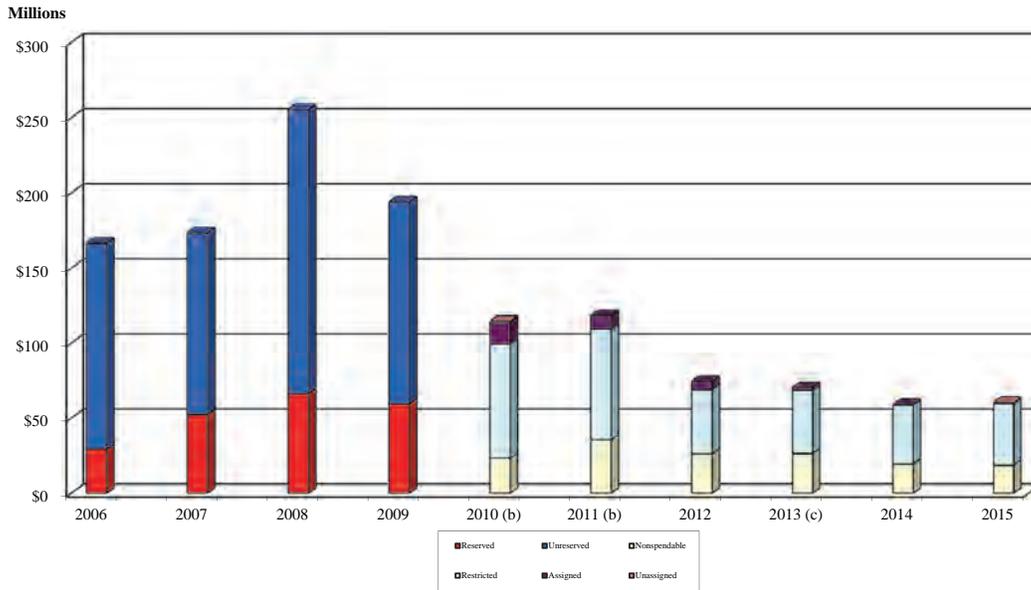
|   | Fiscal Year Ended June 30 |                        |                        |                        |                        |
|---|---------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2006                      | 2007                   | 2008                   | 2009                   | 2010                   |
| <b>Expenses</b>   |                           |                        |                        |                        |                        |
| <b>Governmental Activities:</b>                           |                           |                        |                        |                        |                        |
| General Government  | \$20,757,394              | \$24,107,042           | \$26,826,443           | \$18,745,594           | \$19,044,449           |
| Public Safety   | 64,704,505                | 69,145,528             | 80,140,357             | 91,432,506             | 95,147,888             |
| Public Works  | 40,119,182                | 25,265,766             | 31,252,681             | 43,289,943             | 43,342,529             |
| Community Development                                     | 6,400,700                 | 5,446,357              | 5,046,846              | 4,316,710              | 7,698,693              |
| Cultural and Recreational                                 | 10,516,483                | 15,637,748             | 19,624,717             | 16,618,663             | 14,952,438             |
| Housing and Redevelopment                                 | 14,587,522                | 11,338,512             | 17,471,811             | 19,209,243             | 18,014,624             |
| Interest and Fiscal Charges                               | 13,970,272                | 16,041,384             | 24,242,109             | 22,961,838             | 30,251,260             |
| <b>Total Governmental Activities Expenses</b>             | <b>171,056,058</b>        | <b>166,982,337</b>     | <b>204,604,964</b>     | <b>216,574,497</b>     | <b>228,451,881</b>     |
| <b>Business-Type Activities:</b>                          |                           |                        |                        |                        |                        |
| Richmond Housing Authority                                | 25,761,763                | 21,902,483             | 24,324,334             | 23,335,623             | 27,709,496             |
| Port of Richmond  | 2,896,324                 | 3,690,733              | 4,589,789              | 4,739,269              | 8,611,216              |
| Richmond Marina   | 245,732                   | 331,099                | 240,542                | 235,571                | 232,855                |
| Municipal Sewer   | 9,599,570                 | 12,236,185             | 15,084,727             | 14,290,536             | 13,611,098             |
| Storm Sewer   | 2,953,974                 | 3,590,975              | 4,685,796              | 4,466,645              | 2,527,838              |
| Cable TV  | 702,849                   | 798,758                | 853,646                | 898,370                | 991,506                |
| Convention Center   | 274,542                   |                        |                        |                        |                        |
| <b>Total Business-Type Activities Expenses</b>            | <b>42,434,754</b>         | <b>42,550,233</b>      | <b>49,778,834</b>      | <b>47,966,014</b>      | <b>53,684,009</b>      |
| <b>Total Primary Government Expenses</b>                  | <b>\$213,490,812</b>      | <b>\$209,532,570</b>   | <b>\$254,383,798</b>   | <b>\$264,540,511</b>   | <b>\$282,135,890</b>   |
| <b>Program Revenues</b>                                   |                           |                        |                        |                        |                        |
| <b>Governmental Activities:</b>                           |                           |                        |                        |                        |                        |
| <b>Charges for Services:</b>                              |                           |                        |                        |                        |                        |
| General Government  | \$9,579,562               | \$12,500,031           | \$13,061,289           | \$7,813,724            | \$6,612,893            |
| Public Safety   | 2,674,213                 | 3,337,186              | 3,435,021              | 3,931,893              | 5,674,457              |
| Public Works  | 2,017,908                 | 1,641,139              | 952,330                | 1,669,681              | 1,656,353              |
| Community Development                                     | 2,488,628                 | 562,647                | 393,878                | 170,872                | 504,726                |
| Cultural and Recreational                                 | 1,230,024                 | 277,523                | 257,258                | 594,205                | 1,294,976              |
| Housing and Redevelopment                                 | 3,145,276                 | 320,165                | 1,037,112              | 7,000                  | 222,459                |
| Operating Grants and Contributions                        | 10,737,556                | 11,310,497             | 9,642,093              | 8,402,636              | 12,286,127             |
| Capital Grants and Contributions                          | 4,584,637                 | 8,659,910              | 4,066,710              | 6,997,666              | 9,685,942              |
| <b>Total Government Activities Program Revenues</b>       | <b>36,457,802</b>         | <b>38,609,098</b>      | <b>32,845,691</b>      | <b>29,587,677</b>      | <b>37,937,933</b>      |
| <b>Business-Type Activities:</b>                          |                           |                        |                        |                        |                        |
| <b>Charges for Services:</b>                              |                           |                        |                        |                        |                        |
| Richmond Housing Authority                                | 1,663,345                 | 1,630,745              | 1,776,252              | 3,096,831              | 2,100,519              |
| Port of Richmond  | 6,130,166                 | 5,392,626              | 5,900,126              | 5,095,840              | 3,882,153              |
| Richmond Marina   | 579,581                   | 448,630                | 484,212                | 476,588                | 417,679                |
| Municipal Sewer   | 11,009,699                | 12,410,236             | 13,864,120             | 14,432,849             | 15,991,488             |
| Storm Sewer   | 1,545,977                 | 1,655,799              | 1,637,151              | 1,579,698              | 1,593,792              |
| Cable TV  | 944,693                   | 930,168                | 974,924                | 1,084,389              | 1,157,502              |
| Convention Center   | 326,715                   | 37,659                 |                        |                        |                        |
| Operating Grants and Contributions                        |                           |                        |                        | 18,683,329             | 21,549,967             |
| Capital Grants and Contributions                          | 33,223,130                | 23,789,008             | 24,675,667             | 50,027                 | 2,429,709              |
| <b>Total Business-Type Activities Program Revenue</b>     | <b>55,423,306</b>         | <b>46,294,871</b>      | <b>49,312,452</b>      | <b>44,499,551</b>      | <b>49,122,809</b>      |
| <b>Total Primary Government Program Revenues</b>          | <b>\$91,881,108</b>       | <b>\$84,903,969</b>    | <b>\$82,158,143</b>    | <b>\$74,087,228</b>    | <b>\$87,060,742</b>    |
| <b>Net (Expense)/Revenue</b>                              |                           |                        |                        |                        |                        |
| Governmental Activities                                   | (\$134,598,256)           | (\$128,373,239)        | (\$171,759,273)        | (\$186,986,820)        | (\$190,513,948)        |
| Business-Type Activities                                  | 12,988,552                | 3,744,638              | (466,382)              | (3,466,463)            | (4,561,200)            |
| <b>Total Primary Government Net Expense</b>               | <b>(\$121,609,704)</b>    | <b>(\$124,628,601)</b> | <b>(\$172,225,655)</b> | <b>(\$190,453,283)</b> | <b>(\$195,075,148)</b> |
| <b>General Revenues and Other Changes in Net Position</b> |                           |                        |                        |                        |                        |
| <b>Governmental Activities:</b>                           |                           |                        |                        |                        |                        |
| <b>Taxes:</b>   |                           |                        |                        |                        |                        |
| <b>Property Taxes:</b>                                    |                           |                        |                        |                        |                        |
| Current Collections                                       | \$58,637,096              | \$73,496,915           | \$77,012,808           | \$78,279,818           | \$62,620,002           |
| Released from Pension Reserve Fund                        | 17,315,525                |                        |                        |                        |                        |
| Sales Tax   | 25,402,253                | 28,217,895             | 29,005,711             | 27,922,698             | 25,000,182             |
| Utility user taxes  | 30,199,388                | 27,007,410             | 29,553,243             | 48,953,004             | 50,298,719             |
| Document transfer taxes                                   |                           |                        |                        |                        |                        |
| Other Taxes   | 14,690,034                | 12,042,215             | 8,802,995              | 7,959,683              | 6,092,050              |
| Use of Money and Property                                 | 5,490,761                 | 7,895,609              | 9,990,413              | 6,851,266              | (7,618,093)            |
| Unrestricted Intergovernmental                            | 954,905                   | 438,625                | 4,330,572              | 2,197,148              | 957,140                |
| Miscellaneous   | 3,144,463                 | 3,253,446              | 3,101,841              | 9,220,595              | 5,465,467              |
| Gain on Sales of Capital Assets                           | 2,361,410                 | 3,113,487              | 4,008,197              | 5,000,000              |                        |
| Pension stabilization revenue                             | 4,175,381                 | 4,240,135              | 4,256,500              | 5,292,746              | 2,728,314              |
| Developer revenue sharing                                 | 3,254,620                 | 591,051                | 201,270                | 51,767                 | 138,454                |
| Settlement reimbursement                                  | 4,226,289                 |                        |                        |                        |                        |
| Transfers   | 375,740                   | (2,346,906)            | (1,706,880)            | (692,391)              | 500,000                |
| <b>Extraordinary items</b>                                |                           |                        |                        |                        |                        |
| <b>Assets transferred to/liabilities assumed by</b>       |                           |                        |                        |                        |                        |
| Housing Successor/Successor Agency                        |                           |                        |                        |                        |                        |
| <b>Total Government Activities</b>                        | <b>170,227,865</b>        | <b>157,949,882</b>     | <b>168,556,670</b>     | <b>191,036,334</b>     | <b>146,182,235</b>     |
| <b>Business-Type Activities:</b>                          |                           |                        |                        |                        |                        |
| <b>Taxes:</b>   |                           |                        |                        |                        |                        |
| Property Taxes  | 10,867                    | 10,576                 | 10,382                 |                        |                        |
| Use of Money and Property                                 | 1,247,868                 | 1,618,432              | 919,679                | 390,189                | (2,768,103)            |
| Settlement  |                           |                        |                        |                        | 1,922,260              |
| Other   |                           |                        | 313,863                | 7,701                  | 188,143                |
| Gain (Loss) on Sales of Capital Assets                    |                           | 41,000                 |                        |                        |                        |
| Special Item  |                           |                        | (14,425,750)           |                        |                        |
| Transfers   | (375,740)                 | 2,346,906              | 1,706,880              | 692,391                | (500,000)              |
| <b>Extraordinary item</b>                                 |                           |                        |                        |                        |                        |
| <b>Total Business-Type Activities</b>                     | <b>882,995</b>            | <b>4,016,914</b>       | <b>(11,474,946)</b>    | <b>1,090,281</b>       | <b>(1,157,700)</b>     |
| <b>Total Primary Government</b>                           | <b>\$171,110,860</b>      | <b>\$161,966,796</b>   | <b>\$157,081,724</b>   | <b>\$192,126,615</b>   | <b>\$145,024,535</b>   |
| <b>Change in Net Position</b>                             |                           |                        |                        |                        |                        |
| Governmental Activities                                   | \$35,629,609              | \$29,576,643           | (\$3,202,603)          | \$4,049,514            | (\$44,331,713)         |
| Business-Type Activities                                  | 13,871,547                | 7,761,552              | (11,941,328)           | (2,376,182)            | (5,718,900)            |
| <b>Total Primary Government</b>                           | <b>\$49,501,156</b>       | <b>\$37,338,195</b>    | <b>(\$15,143,931)</b>  | <b>\$1,673,332</b>     | <b>(\$50,050,613)</b>  |

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its net position transferred to a Successor Agency.  
(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".  
(c) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.

**Fiscal Year Ended June 30**

| <b>2011</b>            | <b>2012</b>            | <b>2013 (b)</b>        | <b>2014</b>            | <b>2015 (c)</b>        |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$17,127,696           | \$32,549,754           | \$35,272,517           | \$36,119,297           | \$28,879,074           |
| 101,613,767            | 100,403,365            | 97,136,602             | 102,664,551            | 102,732,652            |
| 41,004,033             | 42,747,958             | 46,011,618             | 46,403,830             | 43,363,799             |
| 7,685,733              | 5,845,968              | 4,909,158              | 4,618,101              | 4,771,875              |
| 14,647,978             | 14,583,687             | 12,129,962             | 10,808,931             | 10,492,020             |
| 15,524,912             | 19,768,765             | 2,816,094              | 1,984,908              | 2,751,290              |
| 23,108,139             | 19,633,486             | 15,411,831             | 19,439,248             | 17,219,905             |
| <u>220,712,258</u>     | <u>235,532,983</u>     | <u>213,687,782</u>     | <u>222,038,866</u>     | <u>210,210,615</u>     |
| 27,246,056             | 30,989,229             | 28,992,229             | 29,771,151             | 28,049,474             |
| 7,033,016              | 7,868,918              | 9,337,252              | 9,530,693              | 9,923,282              |
| 343,734                | 1,681,461              | 266,918                | 253,190                | 235,054                |
| 14,193,822             | 14,655,752             | 16,964,175             | 16,298,623             | 15,965,608             |
| 2,670,397              | 2,744,775              | 2,815,541              | 3,210,678              | 3,282,406              |
| 961,059                | 1,037,142              | 990,802                | 890,846                | 948,426                |
| <u>52,448,084</u>      | <u>58,977,277</u>      | <u>59,366,917</u>      | <u>59,955,181</u>      | <u>58,404,250</u>      |
| <u>\$273,160,342</u>   | <u>\$294,510,260</u>   | <u>\$273,054,699</u>   | <u>\$281,994,047</u>   | <u>\$268,614,865</u>   |
| \$8,155,496            | \$8,496,532            | \$11,596,612           | \$16,917,113           | \$11,107,654           |
| 5,177,825              | 5,075,588              | 5,400,290              | 6,217,749              | 10,466,292             |
| 3,741,601              | 2,596,312              | 3,090,211              | 4,160,804              | 3,609,577              |
| 135,215                | 361,706                | 234,836                | 405,404                | 1,385,689              |
| 1,151,374              | 1,118,777              | 516,499                | 584,475                | 475,091                |
| 17,934,341             | 11,259,829             | 9,703,416              | 8,434,018              | 9,231,039              |
| 20,016,974             | 17,238,057             | 11,360,153             | 34,530,908             | 21,097,186             |
| <u>56,312,826</u>      | <u>46,146,801</u>      | <u>41,902,017</u>      | <u>71,250,471</u>      | <u>57,372,528</u>      |
| 1,916,352              | 2,354,197              | 2,619,669              | 2,638,834              | 1,917,602              |
| 6,329,914              | 7,745,580              | 9,043,026              | 10,201,751             | 9,480,367              |
| 220,858                | 259,777                | 466,921                | 456,956                | 488,201                |
| 17,342,276             | 17,565,632             | 17,733,454             | 18,569,191             | 19,033,406             |
| 1,697,475              | 1,800,536              | 1,842,001              | 1,869,064              | 1,845,648              |
| 1,099,919              | 1,022,100              | 1,320,552              | 1,228,864              | 1,376,194              |
| 23,332,167             | 22,742,102             | 22,323,336             | 21,953,401             | 22,112,391             |
| 2,685,479              | 3,775,002              | 10,087,538             | 1,673,398              | 2,189,724              |
| 54,624,440             | 57,264,926             | 65,436,497             | 58,591,459             | 58,443,533             |
| <u>\$110,937,266</u>   | <u>\$103,411,727</u>   | <u>\$107,338,514</u>   | <u>\$129,841,930</u>   | <u>\$115,816,061</u>   |
| (\$164,399,432)        | (\$189,386,182)        | (\$171,785,765)        | (\$150,788,395)        | (\$152,838,087)        |
| 2,176,356              | (1,712,351)            | 6,069,580              | (1,363,722)            | 39,283                 |
| <u>(\$162,223,076)</u> | <u>(\$191,098,533)</u> | <u>(\$165,716,185)</u> | <u>(\$152,152,117)</u> | <u>(\$152,798,804)</u> |
| \$61,155,694           | \$52,219,777           | \$47,207,734           | \$42,226,820           | \$45,129,392           |
| 23,025,923             | 27,788,339             | 29,865,548             | 29,627,711             | 33,155,376             |
| 45,007,806             | 45,984,315             | 48,398,349             | 48,033,706             | 48,299,958             |
|                        | 2,765,842              | 2,957,834              | 3,461,473              | 4,818,936              |
| 3,361,146              | 3,784,986              | 3,289,518              | 3,592,218              | 5,099,511              |
| 8,877,982              | (22,064,295)           | 11,331,823             | (1,164,987)            | (4,752,198)            |
| 2,427,575              | 4,752,245              | 44,814                 |                        | 1,806,532              |
| 6,723,228              | 7,917,715              | 3,461,402              | 3,229,898              | 2,151,042              |
|                        |                        |                        | 174,874                | 268,927                |
| 2,728,314              | 2,544,175              | 2,549,922              | 998,839                | 954,202                |
| 101,739                | 55,958                 |                        |                        |                        |
| (85,629)               | 1,030,428              | (590,394)              |                        | 178,487                |
|                        | 84,426,106 (a)         | (5,328,244)            |                        |                        |
| <u>153,323,778</u>     | <u>211,205,591</u>     | <u>143,188,306</u>     | <u>130,180,552</u>     | <u>137,110,165</u>     |
| 1,657,791              | (5,331,300)            | 4,054,073              | (185,246)              | (563,129)              |
| 609,031                |                        |                        |                        |                        |
| 85,629                 | (1,030,428)            | 590,394                |                        | (178,487)              |
|                        |                        | 9,023,704              | 1,359,929              |                        |
| 2,352,451              | (6,361,728)            | 13,668,171             | 1,174,683              | (741,616)              |
| <u>\$155,676,229</u>   | <u>\$204,843,863</u>   | <u>\$156,856,477</u>   | <u>\$131,355,235</u>   | <u>\$136,368,549</u>   |
| (\$11,075,654)         | \$21,819,409           | (\$28,597,459)         | (\$20,607,843)         | (\$15,727,922)         |
| 4,528,807              | (8,074,079)            | 19,737,751             | (189,039)              | (702,333)              |
| <u>(\$6,546,847)</u>   | <u>\$13,745,330</u>    | <u>(\$8,859,708)</u>   | <u>(\$20,796,882)</u>  | <u>(\$16,430,255)</u>  |

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



|   | Fiscal Year Ended June 30, |                      |                      |                      |                     |                     |                     |                     |                     |                         |
|---|----------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
|   | 2006                       | 2007                 | 2008                 | 2009                 | 2010 (b)            | 2011 (b)            | 2012                | 2013 (c)            | 2014                | 2015                    |
| <b>General Fund</b>                       |                            |                      |                      |                      |                     |                     |                     |                     |                     |                         |
| Reserved                                  | \$9,638,843                | \$22,090,540         | \$27,048,978         | \$24,682,489         |                     |                     |                     |                     |                     |                         |
| Unreserved                                | 38,590,926                 | 32,341,360           | 19,387,650           | 20,855,189           |                     |                     |                     |                     |                     |                         |
| Nonspendable                              |                            |                      |                      |                      | \$23,360,596        | \$28,021,103        | \$25,944,325        | \$26,366,829        | \$19,505,987        | \$18,708,682            |
| Assigned                                  |                            |                      |                      |                      | 1,009,480           | 380,999             | 377,181             | 219,646             | 56,786              | 23,934                  |
| Unassigned                                |                            |                      |                      |                      | 14,836,337          | 12,077,471          | 11,036,847          | 10,238,862          | 7,979,055           | 9,949,120               |
| <b>Total General Fund</b>                 | <b>\$48,229,769</b>        | <b>\$54,431,900</b>  | <b>\$46,436,628</b>  | <b>\$45,537,678</b>  | <b>\$39,206,413</b> | <b>\$40,479,573</b> | <b>\$37,358,353</b> | <b>\$36,825,337</b> | <b>\$27,541,828</b> | <b>\$28,681,736</b> (a) |
| <b>All Other Governmental Funds</b>       |                            |                      |                      |                      |                     |                     |                     |                     |                     |                         |
| Reserved                                  | \$19,716,191               | \$30,517,337         | \$39,341,789         | \$34,982,192         |                     |                     |                     |                     |                     |                         |
| Unreserved, reported in:                  |                            |                      |                      |                      |                     |                     |                     |                     |                     |                         |
| Special revenue funds                     | 22,266,931                 | 23,291,973           | 21,732,666           | 10,128,026           |                     |                     |                     |                     |                     |                         |
| Debt service funds                        | 6,647,877                  | 11,101,399           | 28,551,466           | 26,219,974           |                     |                     |                     |                     |                     |                         |
| Capital project funds                     | 69,561,861                 | 54,143,312           | 119,382,544          | 77,066,114           |                     |                     |                     |                     |                     |                         |
| Nonspendable                              |                            |                      |                      |                      | \$19,160            | \$7,666,605         | \$174,067           |                     |                     | \$484                   |
| Restricted                                |                            |                      |                      |                      | 76,120,393          | 73,538,765          | 42,888,150          | \$42,117,459        | \$39,066,351        | 41,017,602              |
| Assigned                                  |                            |                      |                      |                      | 12,925,706          | 8,925,705           | 5,147,506           | 1,734,260           | 428,766             | 430,083                 |
| Unassigned                                |                            |                      |                      |                      | (13,673,750)        | (13,944,936)        | (11,929,833)        | (14,357,112)        | (15,499,990)        | (9,755,130)             |
| <b>Total all other governmental funds</b> | <b>\$118,192,860</b>       | <b>\$119,054,021</b> | <b>\$209,008,465</b> | <b>\$148,396,306</b> | <b>\$75,391,509</b> | <b>\$76,186,139</b> | <b>\$36,279,890</b> | <b>\$29,494,607</b> | <b>\$23,995,127</b> | <b>\$31,693,039</b>     |

- (a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
- (b) The City implemented the provisions of GASB Statement 54 in fiscal year 2010, and years prior to 2009 have not been restated to conform with the new regulations.
- (c) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.

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

|  | Fiscal Year Ended June 30, |                    |                     |                       |                       |
|--|----------------------------|--------------------|---------------------|-----------------------|-----------------------|
|  | 2006                       | 2007               | 2008                | 2009                  | 2010                  |
| <b>Revenues</b>  |                            |                    |                     |                       |                       |
| Property taxes   | \$76,431,421               | \$73,983,141       | \$77,764,608        | \$79,047,050          | \$63,858,143          |
| Sales taxes  | 25,402,253                 | 28,217,895         | 29,005,711          | 27,922,698            | 25,000,182            |
| Utility user fees  | 30,199,388                 | 27,007,410         | 29,553,243          | 48,953,004            | 40,298,719            |
| Other taxes  | 14,690,034                 | 12,042,215         | 8,342,809           | 7,959,683             | 6,092,050             |
| Licenses, permits and fees   | 14,272,803                 | 8,379,660          | 8,164,006           | 6,415,896             | 7,598,407             |
| Developer revenue sharing  | 3,254,620                  | 591,051            | 201,270             | 51,767                | 138,454               |
| Fines, forfeitures and penalties   | 396,257                    | 312,723            | 312,706             | 359,870               | 481,264               |
| Use of money and property  | 5,149,718                  | 6,879,814          | 10,360,029          | 5,278,605             | 1,849,884             |
| Intergovernmental  | 16,303,188                 | 24,439,246         | 18,092,672          | 15,753,684            | 21,627,513            |
| Charges for services   | 4,421,803                  | 4,488,092          | 6,026,165           | 5,585,383             | 8,517,238             |
| Pension stabilization revenue  | 4,175,381                  | 4,240,135          | 4,256,500           | 5,292,746             | 2,728,314             |
| Settlement reimbursement   | 4,226,289                  |                    |                     |                       |                       |
| Rent   | 414,716                    | 605,207            | 336,617             | 312,096               | 766,017               |
| Other  | 3,496,107                  | 3,009,820          | 3,407,481           | 11,685,170            | 4,766,408             |
| <b>Total Revenues</b>  | <b>202,833,978</b>         | <b>194,196,409</b> | <b>195,823,817</b>  | <b>214,617,652</b>    | <b>183,722,593</b>    |
| <b>Expenditures</b>  |                            |                    |                     |                       |                       |
| Current:   |                            |                    |                     |                       |                       |
| General government   | 18,986,723                 | 22,646,791         | 26,022,760          | 19,044,304            | 14,412,971            |
| Public safety  | 64,006,470                 | 72,869,340         | 86,716,916          | 93,507,626            | 95,989,053            |
| Public works   | 20,371,718                 | 12,207,805         | 18,121,576          | 20,513,373            | 20,997,847            |
| Community development  | 6,306,343                  | 5,449,106          | 5,196,860           | 4,334,599             | 7,692,545             |
| Cultural and recreational  | 10,300,456                 | 15,142,703         | 20,814,698          | 16,796,528            | 15,137,648            |
| Housing and redevelopment  | 20,778,294                 | 11,345,178         | 22,828,774          | 22,049,876            | 12,098,783            |
| SERAF  |                            |                    |                     |                       | 10,118,826            |
| Capital outlay   | 17,479,290                 | 34,281,457         | 62,742,853          | 80,466,151            | 25,142,692            |
| Debt service:  |                            |                    |                     |                       |                       |
| Principal repayment  | 6,515,045                  | 9,079,459          | 6,300,998           | 9,684,582             | 171,714,191           |
| Interest and fiscal charges  | 11,257,775                 | 10,129,575         | 15,612,543          | 14,038,265            | 21,418,597            |
| <b>Total Expenditures</b>  | <b>176,002,114</b>         | <b>193,151,414</b> | <b>264,357,978</b>  | <b>280,435,304</b>    | <b>394,723,153</b>    |
| Excess (deficiency) of revenues over<br>(under) expenditures                       | 26,831,864                 | 1,044,995          | (68,534,161)        | (65,817,652)          | (211,000,560)         |
| <b>Other Financing Sources (Uses)</b>  |                            |                    |                     |                       |                       |
| Transfers in   | 53,092,947                 | 33,071,479         | 184,513,795         | 79,414,731            | 49,963,245            |
| Transfers out  | (54,131,970)               | (31,800,296)       | (185,857,975)       | (80,148,188)          | (43,560,606)          |
| Sale of property   | 3,167,685                  | 4,747,114          | 4,287,517           | 5,040,000             | 23,300                |
| Payment to refund bond escrow agent  |                            |                    | (32,897,515)        |                       |                       |
| Issuance of long-term debt   | 124,111,809                |                    | 172,962,622         |                       | 121,076,391           |
| Bond Premium   |                            |                    |                     |                       |                       |
| Payment to retirement plan   | (113,877,017)              |                    |                     |                       |                       |
| <b>Total other financing sources (uses)</b>  | <b>12,363,454</b>          | <b>6,018,297</b>   | <b>143,008,444</b>  | <b>4,306,543</b>      | <b>127,502,330</b>    |
| <b>Special and Extraordinary Items</b>   |                            |                    |                     |                       |                       |
| Assets transferred to/liabilities assumed by<br>Housing Successor/Successor Agency |                            |                    |                     |                       |                       |
| Interfund advance restructuring  |                            |                    |                     |                       |                       |
| <b>Total Special and Extraordinary Items</b>                                       |                            |                    |                     |                       |                       |
| <b>Net Change in fund balances</b>   | <b>\$39,195,318</b>        | <b>\$7,063,292</b> | <b>\$74,474,283</b> | <b>(\$61,511,109)</b> | <b>(\$83,498,230)</b> |
| Debt service as a percentage of<br>noncapital expenditures                         |                            |                    |                     |                       |                       |
|  | 11.2%                      | 11.9%              | 10.7%               | 11.1%                 | 51.9%                 |

**NOTE:**

(a) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of \$64,275,000.

(b) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

Fiscal Year Ended June 30,

| 2011         | 2012             | 2013           | 2014           | 2015         |
|--------------|------------------|----------------|----------------|--------------|
| \$57,113,666 | \$51,964,005     | \$48,518,328   | \$43,559,305   | \$46,498,061 |
| 23,025,923   | 27,788,339       | 29,865,548     | 29,627,711     | 33,131,486   |
| 50,007,806   | 50,984,315       | 48,398,349     | 48,033,706     | 48,299,958   |
| 7,824,181    | 6,550,828        | 6,247,352      | 7,053,691      | 9,918,447    |
| 7,495,563    | 9,393,833        | 11,830,426     | 7,713,634      | 12,409,625   |
| 101,739      | 55,958           |                |                |              |
| 474,889      | 536,510          | 617,509        | 821,411        | 1,353,518    |
| 1,031,746    | 932,393          | 557,936        | 153,958        | 225,529      |
| 38,605,526   | 36,121,561       | 19,995,922     | 17,078,035     | 19,228,997   |
| 9,425,484    | 9,204,016        | 9,350,051      | 20,022,968     | 13,607,840   |
| 2,728,314    | 2,544,175        | 2,549,922      | 998,839        | 954,202      |
| 960,661      | 793,144          | 681,141        | 708,626        | 809,113      |
| 6,686,908    | 7,142,854        | 2,703,133      | 2,845,117      | 1,977,688    |
| 205,482,406  | 204,011,931      | 181,315,617    | 178,617,001    | 188,414,464  |
| 15,053,928   | 30,303,614       | 33,251,610     | 32,005,878     | 29,786,089   |
| 94,269,101   | 87,286,248       | 87,573,539     | 91,676,955     | 90,219,981   |
| 23,144,011   | 25,555,928       | 26,065,996     | 26,363,885     | 25,806,437   |
| 7,655,697    | 5,643,542        | 4,709,478      | 4,357,885      | 4,586,333    |
| 14,559,213   | 12,183,399       | 11,175,362     | 10,223,708     | 10,021,481   |
| 11,767,304   | 6,267,418        | 3,089,640      | 2,266,265      | 2,625,533    |
| 2,083,288    |                  |                |                |              |
| 27,189,722   | 28,721,772       | 15,704,486     | 14,365,888     | 8,178,649    |
| 14,879,506   | 14,312,544       | 8,691,629      | 6,775,769      | 7,842,830    |
| 14,559,340   | 11,393,091       | 7,504,922      | 10,989,996     | 13,407,604   |
| 225,161,110  | 221,667,556      | 197,766,662    | 199,026,229    | 192,474,937  |
| (19,678,704) | (17,655,625)     | (16,451,045)   | (20,409,228)   | (4,060,473)  |
| 62,507,821   | 38,456,022       | 21,145,031     | 20,145,264     | 12,879,975   |
| (55,482,457) | (33,437,663)     | (19,666,470)   | (20,859,344)   | (13,815,569) |
|              | 188,489          | 53,618         | 174,874        | 268,927      |
| 14,721,130   | 3,214,243        | 2,621,558      | 6,165,445      | 11,175,436   |
|              | 109,701          | 106,740        |                | 82,880       |
| 21,746,494   | 8,530,792        | 4,260,477      | 5,626,239      | 10,591,649   |
|              | (33,902,636) (b) | 745,119        |                |              |
|              | (33,902,636)     | 745,119        |                |              |
| \$2,067,790  | (\$43,027,469)   | (\$11,445,449) | (\$14,782,989) | \$6,531,176  |
| 14.5%        | 12.3%            | 8.7%           | 9.4%           | 11.4%        |

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

|  | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSESSED VALUE <sup>(1)</sup></b>       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Land                                       | \$3,418,224         | \$4,039,890         | \$4,514,200         | \$4,498,812         | \$3,541,992         | \$3,427,021         | \$3,329,164         | \$3,216,147         | \$3,218,339         | \$3,781,609         |
| Improvements                               | 7,266,076           | 7,862,708           | 8,395,671           | 8,995,536           | 8,071,718           | 6,721,515           | 7,413,276           | 9,268,934           | 7,181,567           | 8,187,280           |
| Total Real Property                        | 10,684,300          | 11,902,598          | 12,909,871          | 13,494,348          | 11,613,710          | 10,148,536          | 10,742,440          | 12,485,081          | 10,399,906          | 11,968,889          |
| Personal Property                          | 538,693             | 572,948             | 333,505             | 632,670             | 683,995             | 671,258             | 681,204             | 795,573             | 53,195              | 460,661             |
| <b>TOTAL</b>                               | <b>\$11,222,993</b> | <b>\$12,475,546</b> | <b>\$13,243,376</b> | <b>\$14,127,018</b> | <b>\$12,297,705</b> | <b>\$10,819,794</b> | <b>\$11,423,644</b> | <b>\$13,280,654</b> | <b>\$10,453,101</b> | <b>\$12,429,550</b> |
| <b>EXEMPTIONS <sup>(2)</sup></b>           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Homeowners <sup>(a)</sup>                  | \$117,722           | \$111,746           | \$113,417           | \$113,296           | \$111,793           | \$110,280           | \$107,571           | \$104,144           | \$100,680           | \$98,456            |
| Other <sup>(b)</sup>                       | 317,429             | 332,611             | 338,751             | 364,531             | 432,140             | 473,917             | 495,344             | 519,976             | 527,179             | 587,350             |
| <b>TOTAL</b>                               | <b>\$435,151</b>    | <b>\$444,357</b>    | <b>\$452,168</b>    | <b>\$477,827</b>    | <b>\$543,933</b>    | <b>\$584,197</b>    | <b>\$602,915</b>    | <b>\$624,120</b>    | <b>\$627,859</b>    | <b>\$685,806</b>    |
| <b>ASSESSED VALUE</b>                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| (Net of Exemptions)                        | \$10,787,842        | \$12,031,189        | \$12,791,208        | \$13,649,191        | \$11,753,772        | \$10,235,597        | \$10,820,729        | \$12,656,534        | \$9,825,242         | \$11,743,744        |
| <b>Less:</b>                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Redevelopment Tax</b>                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Increments <sup>(3)</sup></b>           | 1,346,439           | 1,982,930           | 2,333,771           | 2,404,325           | 1,736,546           | 1,594,287           | 1,578,082           | 1,558,233           | 1,595,033           | 1,799,831           |
| <b>NET ASSESSED VALUE</b>                  | <b>\$9,441,403</b>  | <b>\$10,048,259</b> | <b>\$10,457,437</b> | <b>\$11,244,866</b> | <b>\$10,017,226</b> | <b>\$8,641,310</b>  | <b>\$9,242,647</b>  | <b>\$11,098,301</b> | <b>\$8,230,209</b>  | <b>\$9,943,913</b>  |
| <b>NET INCREASE (DECREASE)</b>             | \$9,441,403         | \$606,856           | \$409,178           | \$787,429           | (\$1,227,640)       | (\$1,375,916)       | \$601,337           | \$1,855,654         | (\$2,868,092)       | \$1,713,704         |
| <b>% OF INCREASE (DECREASE)</b>            | 10.28%              | 6.43%               | 4.07%               | 7.53%               | -10.92%             | -13.74%             | 7%                  | 20%                 | -26%                | 21%                 |
| <b>Total Direct Tax Rate<sup>(4)</sup></b> | 0.38727%            | 0.53811%            | 0.42849%            | 0.43216%            | 0.40770%            | 0.41395%            | 0.40618%            | 0.38653%            | 0.41948%            | 0.41930%            |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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).

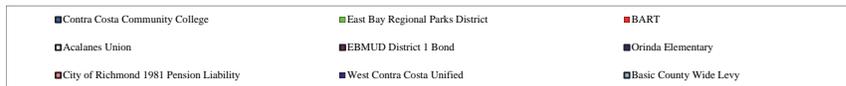
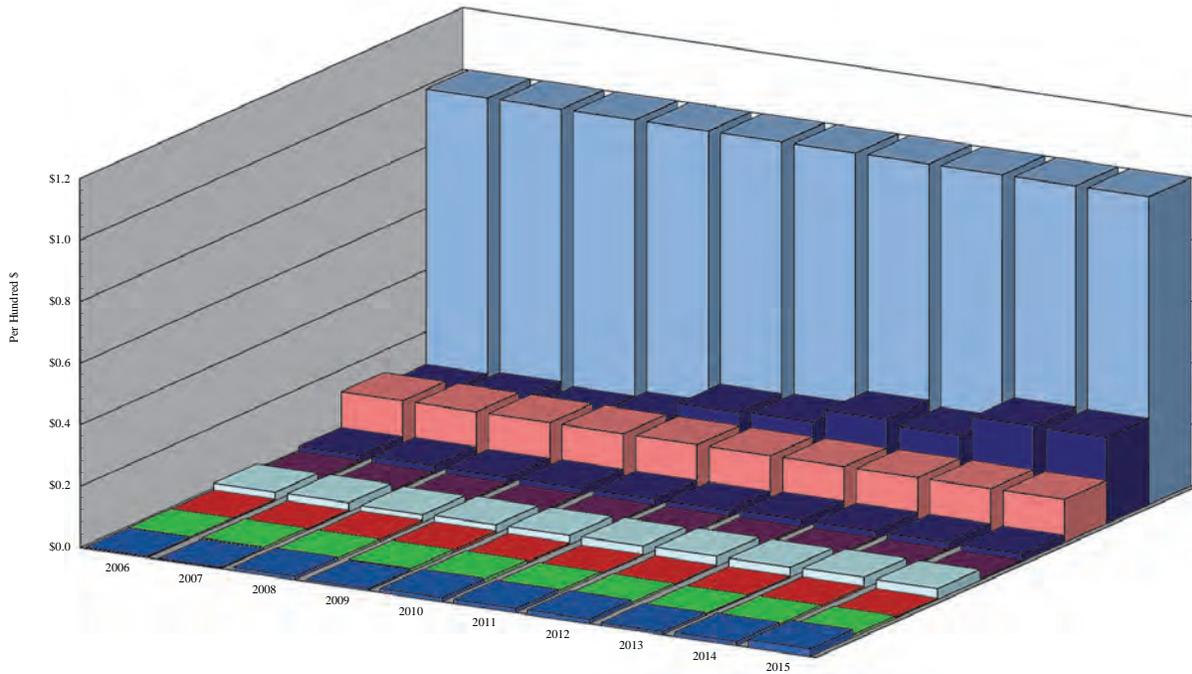
<sup>(3)</sup> Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

<sup>(4)</sup> California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Richmond encompasses more than 92 tax rate areas. See Property Tax Rates statistics for additional information.

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

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



| Fiscal Year | Basic County Wide Levy (1) | City of Richmond 1981 Pension Liability (2) | BART      | East Bay Regional Parks District | Acalanes Union | East Bay MUD Dist. 1 Bond | Orinda Elementary | West Contra Costa Unified | Contra Costa Community College | Total Direct & Overlapping Tax Rates (3) |
|-------------|----------------------------|---|-----------|----------------------------------|----------------|---------------------------|-------------------|---------------------------|--------------------------------|--|
| 2006        | \$1.00000                  | \$0.14000                                   | \$0.00480 | \$0.00570                        | \$0.02790      | \$0.00720                 | \$0.02360         | \$0.10410                 | \$0.00470                      | \$1.31800                                |
| 2007        | 1.00000                    | 0.14000                                     | 0.00500   | 0.00850                          | 0.02920        | 0.00680                   | 0.02590           | 0.11430                   | 0.00430                        | 1.33400                                  |
| 2008        | 1.00000                    | 0.14000                                     | 0.00760   | 0.00800                          | 0.02590        | 0.00650                   | 0.02370           | 0.10350                   | 0.01080                        | 1.32600                                  |
| 2009        | 1.00000                    | 0.14000                                     | 0.00900   | 0.01000                          | 0.02890        | 0.00640                   | 0.02470           | 0.12300                   | 0.00660                        | 1.34860                                  |
| 2010        | 1.00000                    | 0.14000                                     | 0.00570   | 0.01080                          | 0.02980        | 0.00650                   | 0.02360           | 0.18280                   | 0.01260                        | 1.41180                                  |
| 2011        | 1.00000                    | 0.14000                                     | 0.00310   | 0.00840                          | 0.03110        | 0.00670                   | 0.02440           | 0.18690                   | 0.01330                        | 1.41390                                  |
| 2012        | 1.00000                    | 0.14000                                     | 0.00410   | 0.00710                          | 0.03330        | 0.00670                   | 0.02740           | 0.23220                   | 0.01440                        | 1.46520                                  |
| 2013        | 1.00000                    | 0.14000                                     | 0.00430   | 0.00510                          | 0.03330        | 0.00680                   | 0.02730           | 0.21570                   | 0.00870                        | 1.44120                                  |
| 2014        | 1.00000                    | 0.14000                                     | 0.00750   | 0.00780                          | 0.03610        | 0.00660                   | 0.02550           | 0.28180                   | 0.01330                        | 1.51860                                  |
| 2015        | 1.00000                    | 0.14000                                     | 0.00450   | 0.00850                          | 0.03500        | 0.00470                   | 0.02320           | 0.28030                   | 0.02520                        | 1.52140                                  |

**NOTES:**

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Voter approved debt.
- (3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest next taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (5) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California state statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes the rates reported, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

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

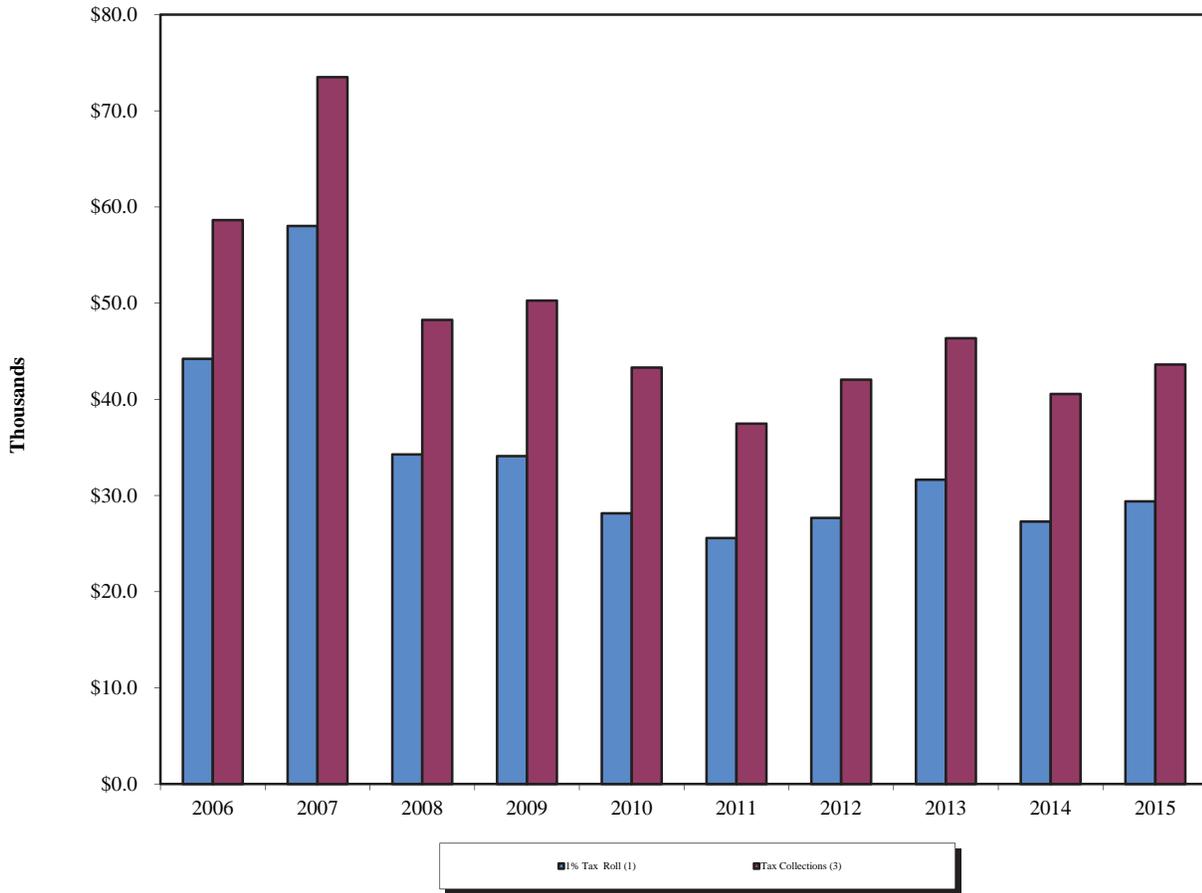
| <b>City's<br/>Share of<br/>1% Levy Per<br/>Prop 13 (4)</b> | <b>General<br/>Obligation Debt<br/>Rate</b> | <b>Redevelopment<br/>Rate (5)</b> | <b>Total<br/>Direct<br/>Rate (6)</b> |
|--|---|-----------------------------------|--------------------------------------|
| \$0.28784  | \$0.14000                                   | \$1.14570                         | \$0.38727                            |
| 0.28784  | 0.14000                                     | 1.14850                           | 0.53811                              |
| 0.28784  | 0.14000                                     | 1.14800                           | 0.42849                              |
| 0.28784  | 0.14000                                     | 1.15000                           | 0.43216                              |
| 0.28784  | 0.14000                                     | 1.15080                           | 0.40770                              |
| 0.28784  | 0.14000                                     | 1.14840                           | 0.41395                              |
| 0.28784  | 0.14000                                     | 1.14710                           | 0.40618                              |
| 0.28784  | 0.14000                                     | 0.00000                           | 0.38653                              |
| 0.28784  | 0.14000                                     | 0.00000                           | 0.41948                              |
| 0.28784  | 0.14000                                     | 0.00000                           | 0.41930                              |

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

| <u>Taxpayer</u>                    | <u>Type of Business</u> | <u>2014-2015</u>              |             |  | <u>2005-06</u>                |             |  |
|------------------------------------|-------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
|                                    |                         | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Chevron USA                        | Industry                | \$3,189,277,020               | 1           | 27.16%   | \$3,002,318,961               | 1           | 27.83%   |
| Guardian KW Hilltop LLC            | Residential             | 147,086,308                   | 2           | 1.25%  |                               |             | 0.00%  |
| Lennar Emerald Marina Bay LLC      | Residential             | 112,189,000                   | 3           | 0.96%  |                               |             | 0.00%  |
| Kaiser Foundation Health Plan      | Industrial              | 76,106,530                    | 4           | 0.65%  |                               |             |  |
| Richmond Essex LP                  | Residential             | 72,919,461                    | 5           | 0.62%  | 63,912,270                    | 4           | 0.59%  |
| Dicon Fiberoptics                  | Industrial              | 43,106,544                    | 6           | 0.37%  | 56,737,293                    | 7           | 0.53%  |
| BP West Coast Products             | Commercial              | 40,147,375                    | 7           | 0.34%  |                               |             |  |
| US Bank National Association Trust | Commercial              | 39,831,347                    | 8           | 0.34%  |                               |             | 0.00%  |
| Ford Point LLC                     | Industrial              | 39,001,016                    | 9           | 0.33%  |                               |             |  |
| BRE Piper MF Tides CA LLC          | Residential             | 37,911,339                    | 10          | 0.32%  |                               |             |  |
| Berlex Laboratories Inc            | Industrial              |                               |             |  | 130,245,822                   | 2           | 1.21%  |
| Susie Gee                          | Residential             |                               |             |  | 98,514,500                    | 3           | 0.91%  |
| Richmond Associates LLC            | Industrial              |                               |             |  | 61,481,894                    | 5           | 0.57%  |
| Richmond Parkway Associates        | Commercial              |                               |             |  | 58,566,354                    | 6           | 0.54%  |
| DDR Hilltop Plaza LLC              | Commercial              |                               |             |  | 48,203,636                    | 8           | 0.45%  |
| Cherokee Simeon Venture I LLC      | Residential             |                               |             |  | 44,135,827                    | 9           | 0.41%  |
| Kristra Investment Limited         | Unsecured               |                               |             |  | 40,760,990                    | 10          | 0.38%  |
| Subtotal                           |                         | <u>\$3,797,575,940</u>        |             | <u>32.34%</u>  | <u>\$3,604,877,547</u>        |             | <u>33.42%</u>  |
| Total Net Assessed Valuation:      |                         |                               |             |  |                               |             |  |
| Fiscal Year 2014-2015              |                         | \$11,743,744,000              |             |  |                               |             |  |
| Fiscal Year 2005-2006              |                         | \$10,787,842,000              |             |  |                               |             |  |

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls and the SBE Non Unitary Tax Roll

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

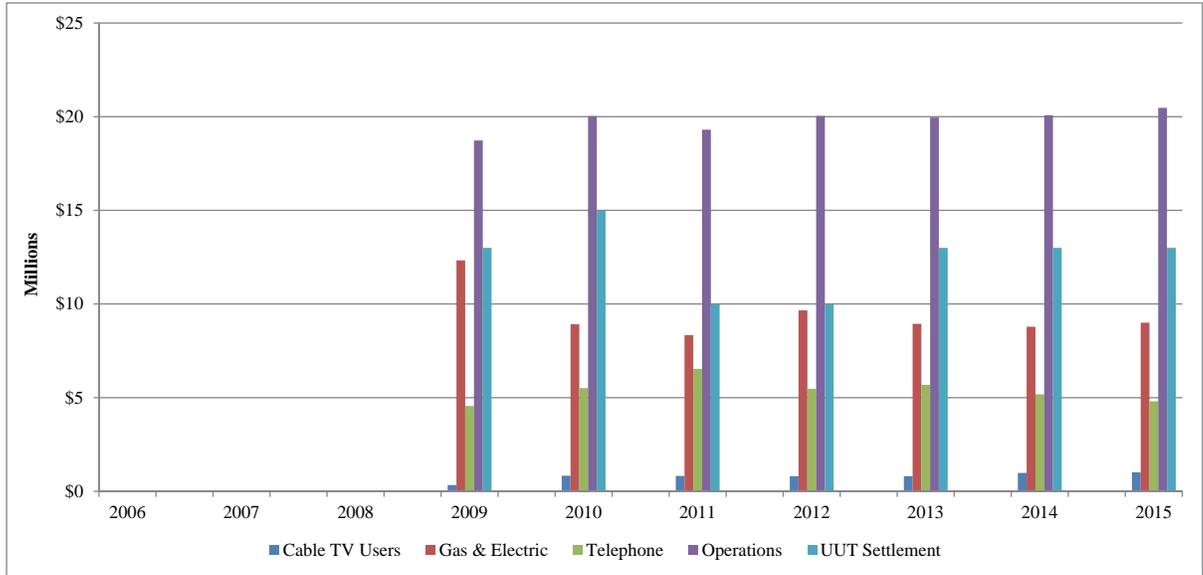


| <b>Fiscal Year</b> | <b>1% Tax Roll (1)</b> | <b>Voter Approve Debt Tax Rolls (2)</b> | <b>Total Tax Collections (3)</b> | <b>Percent of Total Tax Collections to Tax Levy</b> |
|--------------------|------------------------|---|----------------------------------|---|
| 2006               | \$44,209               | \$14,426                                | \$58,635                         | 100%  |
| 2007               | 58,024                 | 15,473                                  | 73,497                           | 100%  |
| 2008               | 34,269                 | 13,983                                  | 48,252                           | 100%  |
| 2009               | 34,096                 | 16,172                                  | 50,268                           | 100%  |
| 2010               | 28,147                 | 15,155                                  | 43,302                           | 100%  |
| 2011               | 25,573                 | 11,900                                  | 37,473                           | 100%  |
| 2012               | 27,669                 | 14,377                                  | 42,046                           | 100%  |
| 2013               | 31,638                 | 14,718                                  | 46,356                           | 100%  |
| 2014               | 27,289                 | 13,267                                  | 40,556                           | 100%  |
| 2015               | 29,392                 | 14,225                                  | 43,617                           | 100%  |

Source: City of Richmond Records

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

**CITY OF RICHMOND  
UTILITY USERS TAX COLLECTIONS  
LAST TEN FISCAL YEARS**



|                | <b>Fiscal Year Ended June 30</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|----------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                | <b>2006</b>                      | <b>2007</b>         | <b>2008</b>         | <b>2009</b>         | <b>2010</b>         | <b>2011</b>         | <b>2012</b>         | <b>2013</b>         | <b>2014</b>         | <b>2015</b>         |
| Cable TV Users |                                  |                     |                     | \$334,347           | \$835,226           | \$824,723           | \$810,755           | \$809,972           | \$983,465           | \$1,016,552         |
| Gas & Electric |                                  |                     |                     | 12,326,977          | 8,919,561           | 8,336,362           | 9,660,557           | 8,943,183           | 8,787,715           | 9,003,928           |
| Telephone      |                                  |                     |                     | 4,558,009           | 5,510,933           | 6,539,983           | 5,473,445           | 5,688,505           | 5,183,418           | 4,807,499           |
| Operations     |                                  |                     |                     | 18,733,671          | 20,032,999          | 19,306,738          | 20,039,558          | 19,956,689          | 20,079,108          | 20,471,979          |
| UUT Settlement |                                  |                     |                     | 13,000,000          | 15,000,000          | 10,000,000          | 10,000,000          | 13,000,000          | 13,000,000          | 13,000,000          |
| Combined (A)   | <u>\$30,199,388</u>              | <u>\$27,007,410</u> | <u>\$29,553,243</u> |                     |                     |                     |                     |                     |                     |                     |
|                | <u>\$30,199,388</u>              | <u>\$27,007,410</u> | <u>\$29,553,243</u> | <u>\$48,953,004</u> | <u>\$50,298,719</u> | <u>\$45,007,806</u> | <u>\$45,984,315</u> | <u>\$48,398,349</u> | <u>\$48,033,706</u> | <u>\$48,299,958</u> |

NOTES:

(A) Components of collections by type are not available, therefore amount represents total UUT collections for the fiscal year, and these amounts have been excluded from the graph

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
UTILITY USERS TAX DIRECT RATES  
ON CHARGES FOR SERVICES  
LAST TEN FISCAL YEARS (A)**

|                | <u>2015</u> |
|----------------|-------------|
| Cable TV Users | 5%          |
| Gas & Electric | 10%         |
| Telephone      | 9.50%       |
| Operations     | (B)         |
| UUT Settlement | (C)         |

NOTES:

(A) Historical information is not available, therefore only 2015 is presented

(B) Based on the Cap Provision in the City of Richmond Municipal Code  
Section 13.52.100 - Maximum Tax Payable

(C) Annual amount is per agreement signed by a Major Taxpayer and the City in 2010.

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
TOP TEN UTILITY USERS TAXPAYERS  
(ALPHABETICAL ORDER)  
Current Year (A)**

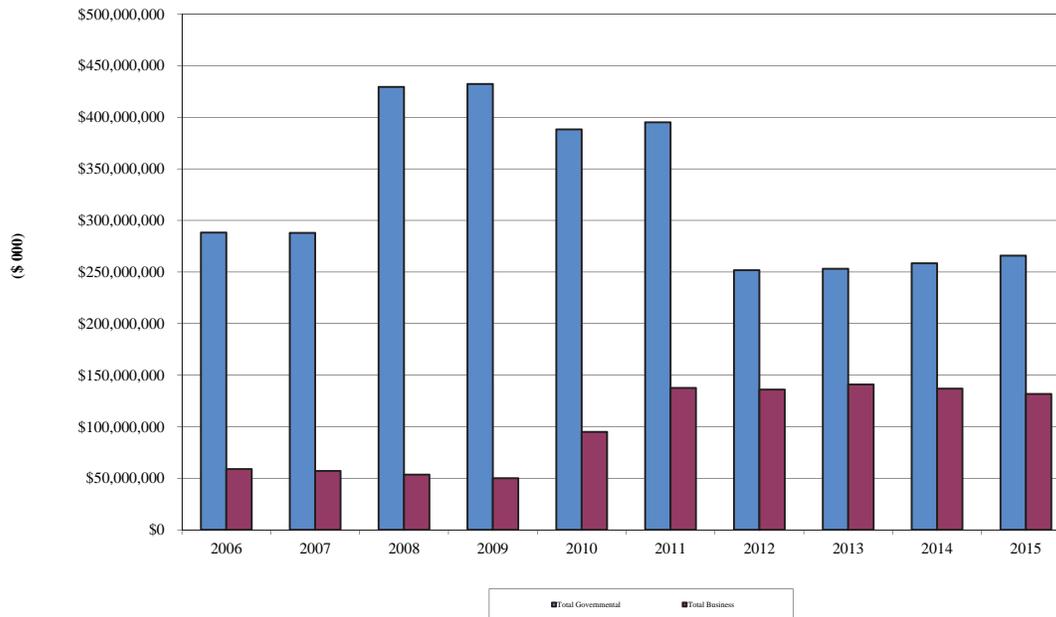
| <b>Taxpayer</b>            | <b>Type of Business (B)</b> |
|----------------------------|-----------------------------|
| Chevron                    | Industrial                  |
| COMCAST                    | Cable                       |
| GTE Mobilnet of California | Telecommunications          |
| Marin Clean Energy         | Utility                     |
| Metro PCS                  | Telecommunications          |
| New Cingular Wireless      | Telecommunications          |
| Pacific Bell Telephone Co  | Telecommunications          |
| PG & E                     | Utility                     |
| Sprint Spectrum            | Telecommunications          |
| T-Mobile                   | Telecommunications          |

NOTES:

- (A) Information for 2006 is not available
- (B) Revenue base information by taxpayer is confidential.

SOURCE: City of Richmond, Finance Department (Revenue)

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



**Governmental Activities**

| Fiscal Year | Tax Allocation Bonds | Pension Obligation Bonds | Revenue Bonds | Loans and Notes Payable | Capital Leases | Total         |
|-------------|----------------------|--------------------------|---------------|-------------------------|----------------|---------------|
| 2006        | \$96,801,090         | \$140,799,775            | \$35,205,000  | \$12,200,843            | \$3,195,340    | \$288,202,048 |
| 2007        | 95,079,118           | 143,575,313              | 33,630,000    | 10,518,963              | 5,111,871      | 287,915,265   |
| 2008        | 168,838,368          | 146,453,616              | 99,619,143    | 10,578,390              | 3,964,298      | 429,453,815   |
| 2009        | 165,200,399          | 150,493,392              | 97,750,000    | 10,544,185              | 8,300,966      | 432,288,942   |
| 2010        | 130,953,999          | 152,059,727              | 88,271,545    | 10,460,463              | 6,536,310      | 388,282,044   |
| 2011        | 125,899,530          | 153,589,314              | 87,906,545    | 20,723,084              | 7,022,284      | 395,140,757   |
| 2012        | (B)                  | 155,060,554              | 87,526,545    | 635,646                 | (B)            | 8,523,072     |
| 2013        | (B)                  | 156,483,676              | 87,121,545    | 1,231,880               | 8,269,494      | 253,106,595   |
| 2014        | (B)                  | 157,555,624              | 87,121,545    | 2,631,887               | 11,186,685     | 258,495,741   |
| 2015        | (B)                  | 156,491,679              | 87,121,545    | 12,970,813              | 9,295,123      | 265,879,160   |

**Business-Type Activities**

| Fiscal Year | Wastewater Revenue Bonds | Port Lease Revenue Bonds | Loans and Notes Payable | Total        | Total Primary Government | Percentage of Personal Income (A) | Per Capita (A) |
|-------------|--------------------------|--------------------------|-------------------------|--------------|--------------------------|-----------------------------------|----------------|
| 2006        | \$38,516,264             | \$9,251,513              | \$11,195,682            | \$58,963,459 | \$347,165,507            | 15.09%                            | \$3,393        |
| 2007        | 41,857,327               | 7,782,675                | 7,419,009               | 57,059,011   | 344,974,276              | 14.20%                            | 3,376          |
| 2008        | 42,152,480               | 5,933,813                | 5,427,429               | 53,513,722   | 482,967,537              | 18.98%                            | 4,675          |
| 2009        | 41,934,902               | 3,203,312                | 4,971,846               | 50,110,060   | 482,399,002              | 18.70%                            | 4,643          |
| 2010        | 41,416,658               | 49,015,199               | 4,501,732               | 94,933,589   | 483,215,633              | 19.08%                            | 4,620          |
| 2011        | 84,893,408               | 48,683,747               | 4,016,617               | 137,593,772  | 532,734,529              | 21.12%                            | 5,043          |
| 2012        | 84,246,892               | 48,252,294               | 3,516,009               | 136,015,195  | 387,761,012              | 15.26%                            | 3,697          |
| 2013        | 90,096,593 (C)           | 47,834,187               | 3,007,372               | 140,938,152  | 394,044,747              | 15.06%                            | 3,733          |
| 2014        | 89,012,056               | 44,944,399               | 2,935,889               | 136,892,344  | 395,388,085              | 14.54%                            | 3,725          |
| 2015        | 86,867,520               | 41,984,610               | 2,861,189               | 131,713,319  | 397,592,479              | 14.68%                            | 3,737          |

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.

(A) See Demographic Statistics for personal income and population data.

(B) Due to the dissolution of the Redevelopment Agency, the Tax Allocation Bonds and the Loans and Notes Payable that were related to the Redevelopment Agency were transferred to the Successor Agency as of February 1, 2012 and are no longer governmental commitments.

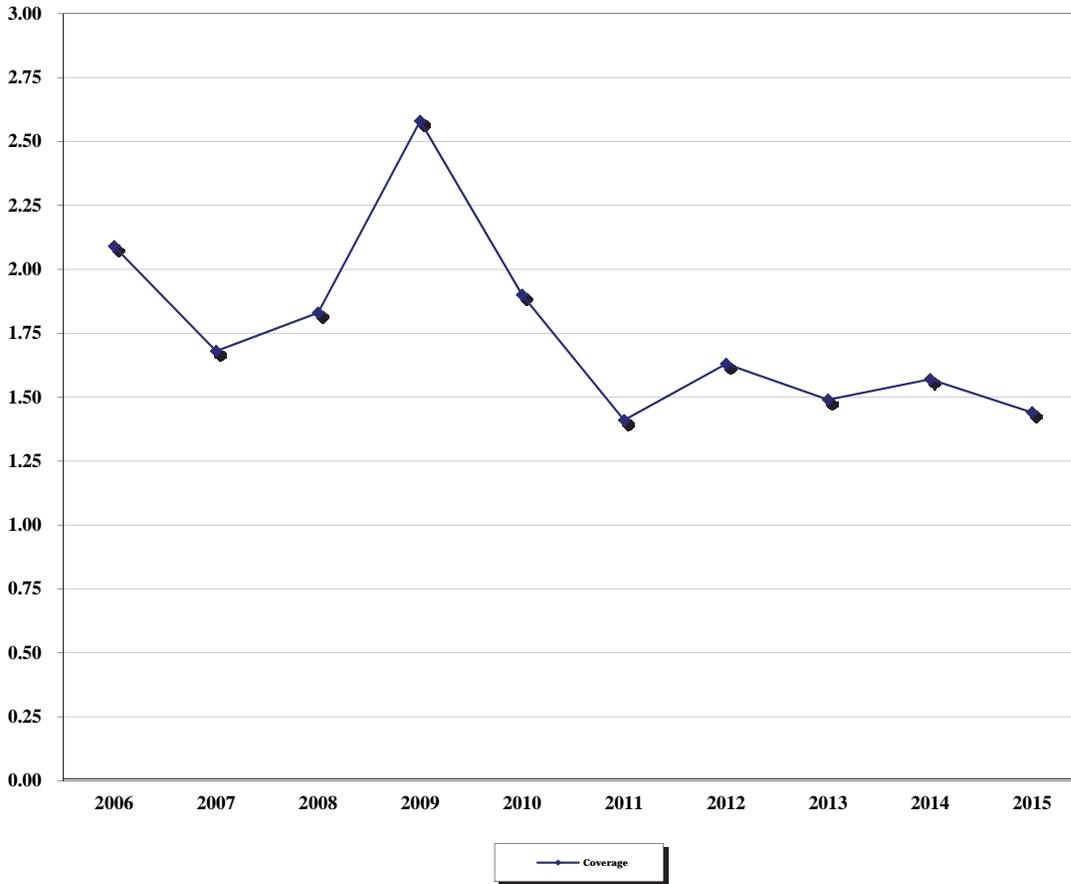
(C) With the implementation of GASB Statement No. 65, the deferred amount on refunding previously reported as a component of the long-term debt balance is not reported as a deferred inflows of resources.

Sources: City of Richmond

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1999, 2006, 2008, 2010A AND 2010B WASTEWATER REVENUE BONDS  
LAST TEN FISCAL YEARS**

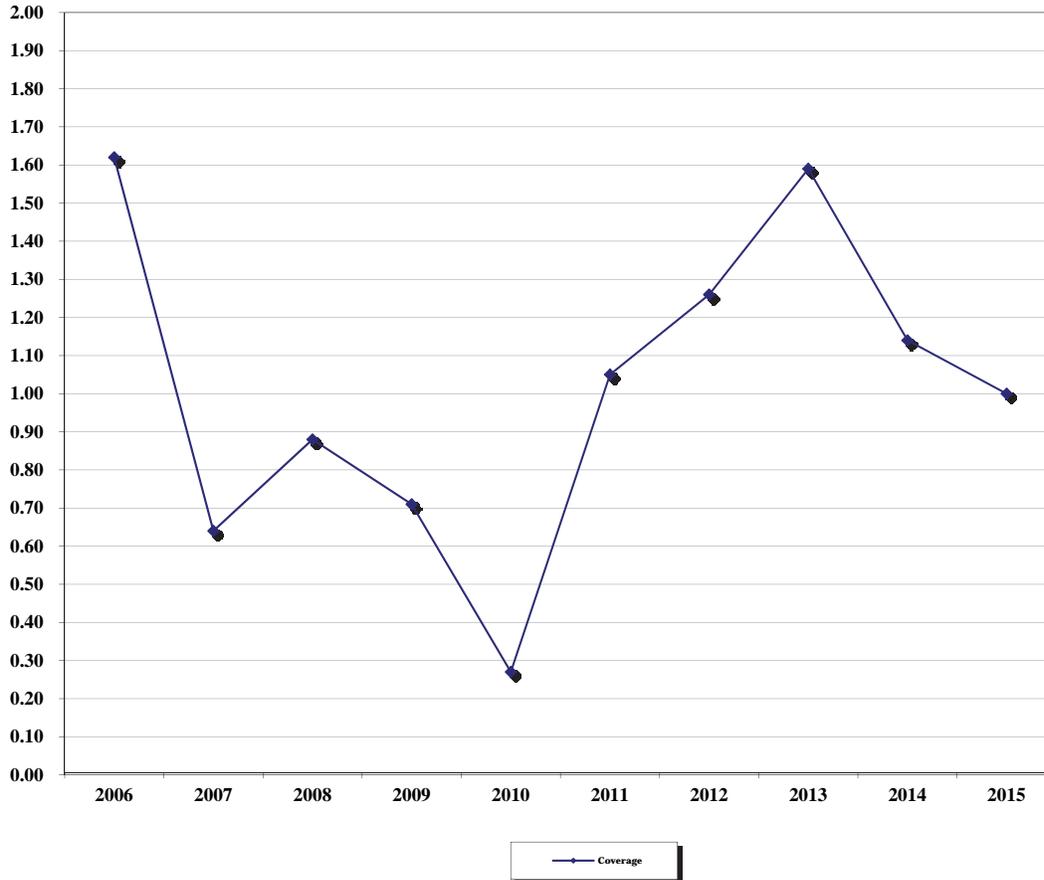


| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements |             |             | Coverage |
|-------------|-------------------|------------------------|--|---------------------------|-------------|-------------|----------|
|             |                   |                        |  | Principal                 | Interest    | Total       |          |
| 2006        | \$11,922,340      | \$5,918,001            | \$6,004,339                            | \$1,415,000               | \$1,455,916 | \$2,870,916 | 2.09     |
| 2007        | 13,687,290        | 8,799,108              | 4,888,182                              | 1,480,000                 | 1,422,950   | 2,902,950   | 1.68     |
| 2008        | 14,421,345        | 9,991,039              | 4,430,306                              |                           | 2,414,409   | 2,414,409   | 1.83     |
| 2009        | 14,498,712        | 8,287,431              | 6,211,281                              |                           | 2,403,307   | 2,403,307   | 2.58     |
| 2010        | 16,075,782        | 10,362,653             | 5,713,129                              | 865,000                   | 2,146,974   | 3,011,974   | 1.90     |
| 2011        | 17,399,624        | 9,154,788              | 8,244,836                              | 905,000                   | 4,943,042   | 5,848,042   | 1.41     |
| 2012        | 17,697,208        | 8,956,411              | 8,740,797                              | 975,000                   | 4,399,406   | 5,374,406   | 1.63     |
| 2013        | 17,840,042        | 9,447,236              | 8,392,806                              | 1,005,000                 | 4,613,635   | 5,618,635   | 1.49     |
| 2014        | 18,569,191        | 9,734,277              | 8,834,914                              | 1,055,000                 | 4,560,528   | 5,615,528   | 1.57     |
| 2015        | 19,098,835        | 9,524,878              | 9,573,957                              | 2,115,000                 | 4,536,302   | 6,651,302   | 1.44     |

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest  
(2) Includes all Municipal Sewer Operating Expenses less Depreciation and pension expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1996, 1999, 2004, 2007 AND 2009 PORT TERMINAL LEASE REVENUE BONDS, NOTE  
AND POINT POTRERO LEASE REVENUE BONDS  
LAST TEN FISCAL YEARS**

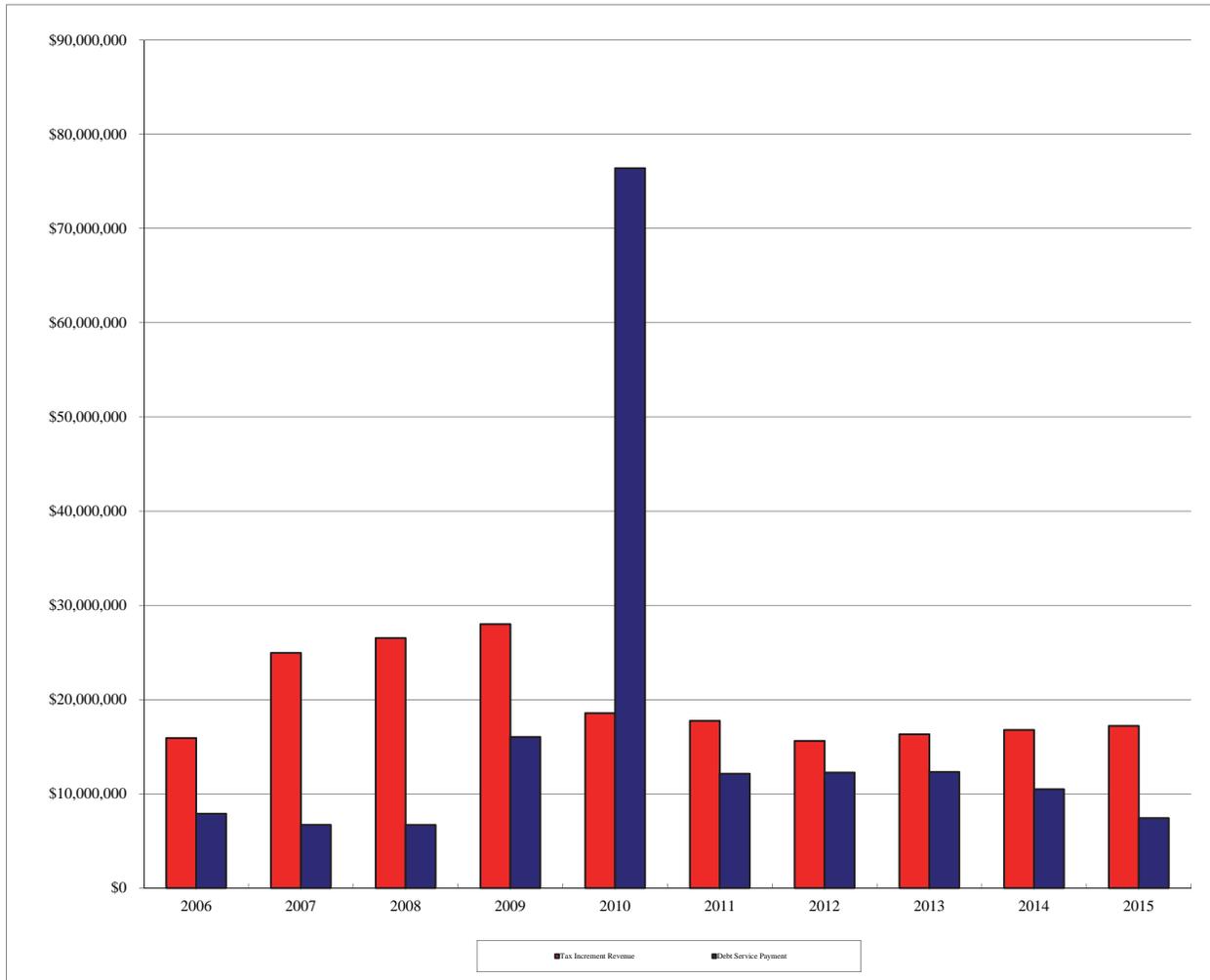


| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements |           |             | Coverage |
|-------------|-------------------|------------------------|--|---------------------------|-----------|-------------|----------|
|             |                   |                        |  | Principal                 | Interest  | Total       |          |
| 2006        | \$6,237,708       | \$2,209,972            | \$4,027,736                            | \$1,672,140               | \$808,267 | \$2,480,407 | 1.62     |
| 2007        | 5,621,400         | 2,106,307              | 3,515,093                              | 4,823,787                 | 643,463   | 5,467,250   | 0.64     |
| 2008        | 6,061,660         | 3,024,733              | 3,036,927                              | 3,094,865                 | 362,194   | 3,457,059   | 0.88     |
| 2009        | 5,292,289         | 3,129,349              | 2,162,940                              | 2,745,000                 | 292,367   | 3,037,367   | 0.71     |
| 2010        | 4,334,422         | 3,007,455              | 1,326,967                              | 3,270,000                 | 1,671,265 | 4,941,265   | 0.27     |
| 2011        | 6,357,466         | 2,035,968              | 4,321,498                              | 405,000                   | 3,728,541 | 4,133,541   | 1.05     |
| 2012        | 7,822,496         | 2,931,799              | 4,890,697                              | 505,000                   | 3,381,546 | 3,886,546   | 1.26     |
| 2013        | 9,138,193         | 2,964,060              | 6,174,133                              | 525,000                   | 3,348,154 | 3,873,154   | 1.59     |
| 2014        | 10,280,894        | 3,189,866              | 7,091,028                              | 2,955,000                 | 3,255,221 | 6,210,221   | 1.14     |
| 2015        | 9,481,315         | 3,380,916              | 6,100,399                              | 3,025,000                 | 3,077,165 | 6,102,165   | 1.00     |

- Notes: (1) Includes all Port of Richmond Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest  
(2) Includes all Port of Richmond Operating Expenses less Depreciation and pension expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

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

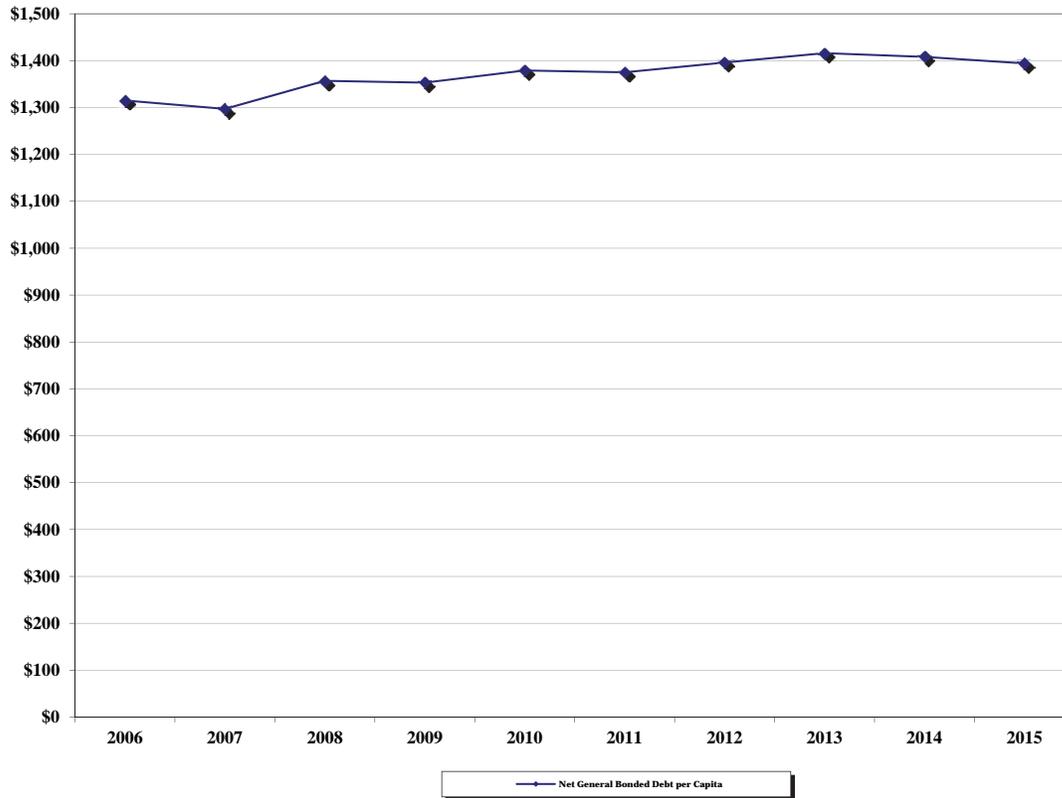


| Fiscal Year | Tax Revenue        | Debt Service Requirements |             |             | Coverage |
|-------------|--------------------|---------------------------|-------------|-------------|----------|
|             |                    | Principal                 | Interest    | Total       |          |
| 2006        | \$15,925,961       | \$3,075,000               | \$4,817,908 | \$7,892,908 | 2.02     |
| 2007        | 24,953,805         | 2,250,000                 | 4,463,106   | 6,713,106   | 3.72     |
| 2008        | 26,535,184         | 2,345,000                 | 4,359,236   | 6,704,236   | 3.96     |
| 2009        | 28,012,195         | 6,450,000                 | 9,589,715   | 16,039,715  | 1.75     |
| 2010        | 18,559,284         | 69,170,000 (2)            | 7,220,349   | 76,390,349  | 0.24     |
| 2011        | 17,743,295         | 6,225,000                 | 5,905,703   | 12,130,703  | 1.46     |
| 2012        | 15,619,530 (3) (4) | 6,285,000                 | 5,972,529   | 12,257,529  | 1.27     |
| 2013        | 16,320,481 (4)     | 6,565,000                 | 5,754,825   | 12,319,825  | 1.32     |
| 2014        | 16,776,169 (4)     | 5,030,000                 | 5,461,989   | 10,491,989  | 1.60     |
| 2015        | 17,206,306 (4)     | 2,930,000                 | 4,500,409   | 7,430,409   | 2.32     |

- Note: (1) Includes the 1991, 1998, 2000, 2003, 2004, 2007, 2010 and 2014 Bonds.  
 (2) Includes current refunding of the 2007 Bonds of \$64,275,000  
 (3) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.  
 (4) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
GENERAL BONDED DEBT  
PENSION OBLIGATION BONDS (1)  
LAST TEN FISCAL YEARS**



| <b>Fiscal Year</b> | <b>Bonds Outstanding</b> | <b>Restricted Cash and Investments (2)</b> | <b>Net Bonds Outstanding</b> | <b>Net Assessed Value of Property</b> | <b>Ratio of General Bonded Debt to Net Assessed Value of Property</b> | <b>Net General Bonded Debt per Capita</b> |
|--------------------|--------------------------|--|------------------------------|---------------------------------------|---|---|
| 2006               | \$140,799,775            | \$6,288,686                                | \$134,511,089                | \$9,441,403,000                       | 1.42%   | 1,315                                     |
| 2007               | 143,575,313              | 11,013,589                                 | 132,561,724                  | 10,048,259,000                        | 1.32%   | 1,297                                     |
| 2008               | 146,453,616              | 6,291,336                                  | 140,162,280                  | 10,457,437,000                        | 1.34%   | 1,357                                     |
| 2009               | 150,493,392              | 9,916,755                                  | 140,576,637                  | 11,244,866,000                        | 1.25%   | 1,353                                     |
| 2010               | 152,059,727              | 7,841,951                                  | 144,217,776                  | 10,017,226,000                        | 1.44%   | 1,379                                     |
| 2011               | 153,589,314              | 8,314,362                                  | 145,274,952                  | 8,641,310,346                         | 1.68%   | 1,375                                     |
| 2012               | 155,060,554              | 8,617,952                                  | 146,442,602                  | 9,242,647,000                         | 1.58%   | 1,396                                     |
| 2013               | 156,483,676              | 7,054,942                                  | 149,428,734                  | 11,098,301,000                        | 1.35%   | 1,416                                     |
| 2014               | 157,555,624              | 8,089,647                                  | 149,465,977                  | 8,230,209,000                         | 1.82%   | 1,408                                     |
| 2015               | 156,491,679              | 8,148,121                                  | 148,343,558                  | 9,943,913,000                         | 1.49%   | 1,394                                     |

Note: (1) Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.  
(2) Restricted cash is being held with the City's fiscal agent, Union Bank, and is restricted for the payment of the bonds.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2015**

2014-2015 Assessed Valuation: \$11,842,200,772

|   | Total Debt<br>June 30, 2015 | % Applicable (1) | City's Share of Debt<br>June 30, 2015 |
|---|-----------------------------|------------------|---------------------------------------|
| <b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>                                   |                             |                  |                                       |
| Bay Area Rapid Transit District   | \$630,795,000               | 2.112%           | \$13,322,390                          |
| Contra Costa Community College District                                       | 455,860,000                 | 7.409%           | 33,774,667                            |
| West Contra Costa Unified School District                                     | 996,920,965                 | 48.116%          | 479,678,492                           |
| West Contra Costa Healthcare District Parcel Tax Obligations                  | 59,010,000                  | 44.660%          | 26,353,866                            |
| East Bay Municipal Utility District, Special District No. 1                   | 10,910,000                  | 0.665%           | 72,552                                |
| East Bay Regional Park District   | 176,790,000                 | 3.242%           | 5,731,532                             |
| City of Richmond Community Facilities District No. 1998-1                     | 3,010,000                   | 100%             | 3,010,000                             |
| City of Richmond 1915 Act Bonds   | 14,010,000                  | 100%             | 14,010,000                            |
| <b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>                          |                             |                  | <b>575,953,499</b>                    |
| <b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>                              |                             |                  |                                       |
| Contra Costa County General Fund Obligations                                  | \$252,598,997               | 7.380%           | \$18,641,805                          |
| Contra Costa County Pension Obligations                                       | 236,920,000                 | 7.380%           | 17,484,696                            |
| Alameda-Contra Costa Transit District Certificates of Participation           | 2,490,000                   | 62.542%          | 1,557,308                             |
| Contra Costa Community College District Certificates of Participation         | 615,000                     | 7.409%           | 45,565                                |
| West Contra Costa Unified School District Certificates of Participation       | 6,835,000                   | 48.116%          | 3,288,729                             |
| <b>City of Richmond General Fund Obligations</b>                              | <b>129,490,000</b>          | <b>100%</b>      | <b>129,490,000</b>                    |
| <b>City of Richmond Pension Obligations</b>                                   | <b>156,491,679</b>          | <b>100%</b>      | <b>156,491,679</b>                    |
| <b>City of Richmond Loans Payable</b>   | <b>12,970,813</b>           | <b>100%</b>      | <b>12,970,813</b>                     |
| <b>City of Richmond Leases Payable</b>  | <b>9,295,123</b>            | <b>100%</b>      | <b>9,295,123</b>                      |
| <b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>              |                             |                  | <b>349,265,718</b>                    |
| Less: Contra Costa County general fund obligations supported by revenue funds |                             |                  | 7,291,683                             |
| <b>City of Richmond obligations supported by port revenues</b>                |                             |                  | <b>42,368,455</b>                     |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>          |                             |                  | <b>\$299,605,580</b>                  |
| <b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</b>                      | <b>\$90,717,732</b>         | <b>100%</b>      | <b>\$90,717,732</b>                   |
| <b>TOTAL GROSS DIRECT DEBT</b>  |                             |                  | <b>\$138,785,123</b>                  |
| <b>TOTAL NET DIRECT DEBT</b>  |                             |                  | <b>\$96,416,668</b>                   |
| <b>TOTAL GROSS OVERLAPPING DEBT</b>   |                             |                  | <b>\$707,689,334</b>                  |
| <b>TOTAL NET OVERLAPPING DEBT</b>   |                             |                  | <b>\$700,397,651</b>                  |
| <b>GROSS COMBINED TOTAL DEBT</b>  |                             |                  | <b>\$1,015,936,949 (2)</b>            |
| <b>NET COMBINED TOTAL DEBT</b>  |                             |                  | <b>\$966,276,811</b>                  |

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Total Net Overlapping Tax and Assessment Debt 4.86%

Ratios to Adjusted Assessed Valuation:

**Gross Combined Direct Debt (\$226,364,373) 1.17%**  
**Net Combined Direct Debt (\$183,428,940) 0.81%**  
 Combined Total Debt 8.58%  
 Net Combined Total Debt 8.16%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$1,799,831,051):

Total Overlapping Tax Increment Debt 5.04%

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor, City of Richmond Finance Department

**CITY OF RICHMOND  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2015**

ASSESSED VALUATION:

|   |                                |
|---|--------------------------------|
| Secured property assessed value, net of<br>exempt real property | <u><u>\$11,743,744,000</u></u> |
|---|--------------------------------|

|   |                      |
|---|----------------------|
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | <u>\$440,390,400</u> |
|---|----------------------|

AMOUNT OF DEBT SUBJECT TO LIMIT:

|   |          |
|---|----------|
| Total Bonded Debt   | \$0      |
| Less Tax Allocation Bonds and Sales Tax Revenue<br>Bonds, Certificate of Participation not subject to limit | <u>0</u> |
| Amount of debt subject to limit   | <u>0</u> |

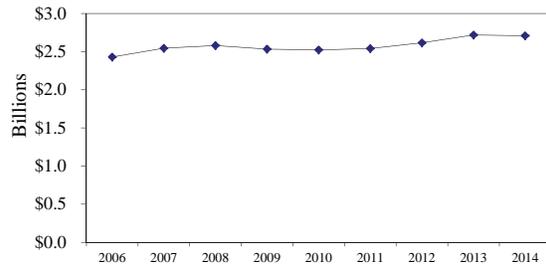
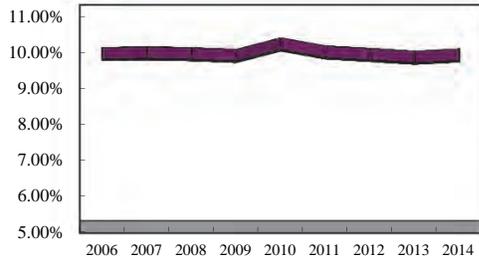
|                          |                             |
|--------------------------|-----------------------------|
| LEGAL BONDED DEBT MARGIN | <u><u>\$440,390,400</u></u> |
|--------------------------|-----------------------------|

| Fiscal<br>Year | Debt<br>Limit | Total Net Debt<br>Applicable to<br>Limit | Legal<br>Debt<br>Margin | Total net debt<br>applicable to the limit<br>as a percentage<br>of debt limit |
|----------------|---------------|--|-------------------------|---|
| 2006           | \$404,544,075 | \$0                                      | \$404,544,075           | 0.00%   |
| 2007           | 451,169,588   | 0  | 451,169,588             | 0.00%   |
| 2008           | 479,670,300   | 0  | 479,670,300             | 0.00%   |
| 2009           | 511,844,663   | 0  | 511,844,663             | 0.00%   |
| 2010           | 440,766,450   | 0  | 440,766,450             | 0.00%   |
| 2011           | 383,834,888   | 0  | 383,834,888             | 0.00%   |
| 2012           | 405,777,338   | 0  | 405,777,338             | 0.00%   |
| 2013           | 474,620,025   | 0  | 474,620,025             | 0.00%   |
| 2014           | 368,446,575   | 0  | 368,446,575             | 0.00%   |
| 2015           | 440,390,400   | 0  | 440,390,400             | 0.00%   |

NOTE:

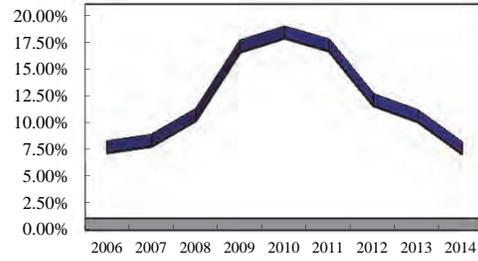
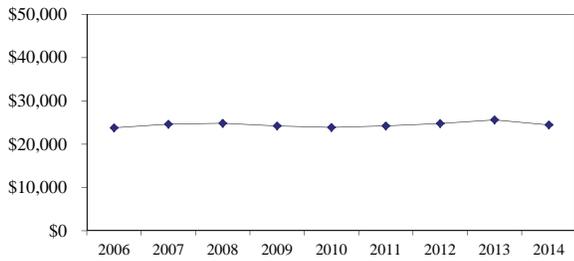
- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of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

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



Series1

Series1



Per Capita Personal Income

Series1

| Calendar Year | City Population | Total Personal Income | Per Capita Personal Income | Unemployment Rate (%) | Contra Costa County Population | City Population % of County |
|---------------|-----------------|-----------------------|----------------------------|-----------------------|--------------------------------|-----------------------------|
| 2005          | 102,307         | \$2,301,226,000       | \$22,493                   | 8.1%                  | 1,029,377                      | 9.94%                       |
| 2006          | 102,182         | 2,429,855,000         | 23,780                     | 7.2%                  | 1,042,341                      | 9.80%                       |
| 2007          | 103,306         | 2,544,898,000         | 24,635                     | 7.8%                  | 1,051,674                      | 9.82%                       |
| 2008          | 103,895         | 2,579,939,000         | 24,832                     | 10.2%                 | 1,060,435                      | 9.80%                       |
| 2009          | 104,602         | 2,532,776,000         | 24,213                     | 16.6%                 | 1,073,055                      | 9.75%                       |
| 2010          | 105,630         | 2,522,550,000         | 23,881                     | 17.9%                 | 1,049,025                      | 10.07%                      |
| 2011          | 104,887         | 2,540,888,000         | 24,225                     | 16.7%                 | 1,065,117                      | 9.85%                       |
| 2012          | 105,562         | 2,615,932,000         | 24,781                     | 11.6%                 | 1,079,597                      | 9.78%                       |
| 2013          | 106,138         | 2,718,619,000         | 25,614                     | 10.1%                 | 1,094,205                      | 9.70%                       |
| 2014          | 106,388         | 2,707,894,000         | 24,453                     | 7.1%                  | 1,089,291                      | 9.77%                       |

Source: CAL Muni Statistics

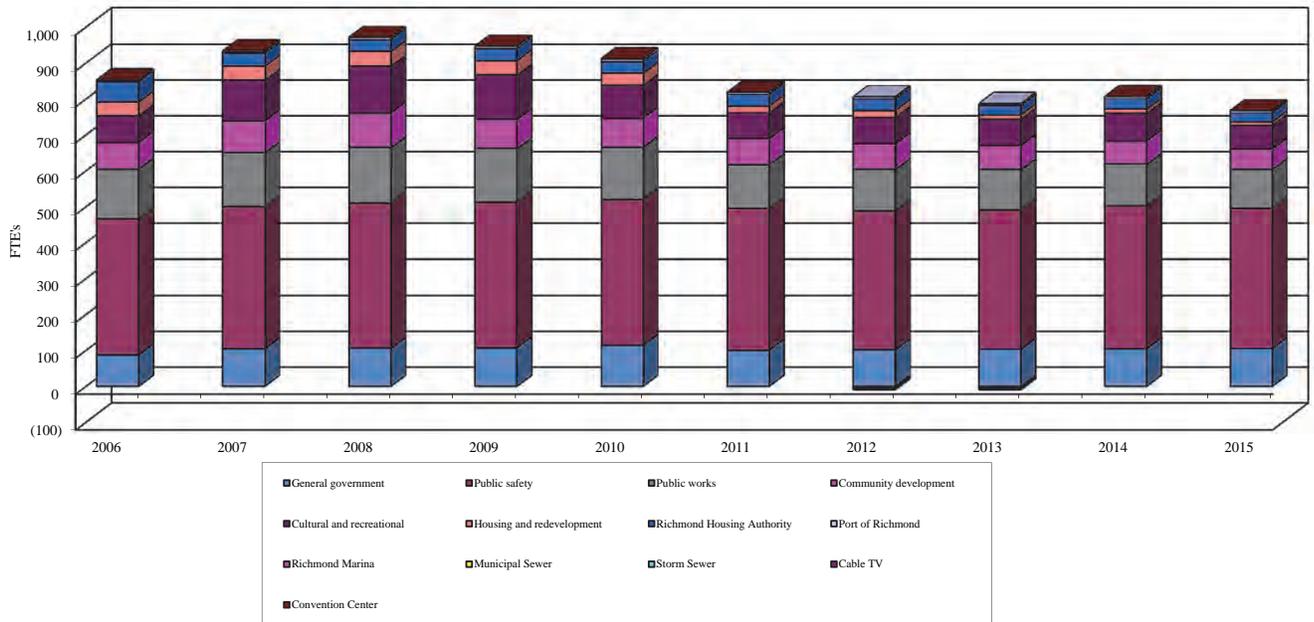
**CITY OF RICHMOND**  
**Principal Employers**  
**Current Year**

| <u>Employer</u>                           | <u>2014-15</u>                 |             |  |
|---|--------------------------------|-------------|--|
|   | <u>Number of<br/>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>Employment</u> |
| Chevron Refinery                          | 3,456                          | 1           | 3.6%   |
| West Contra Costa Unified School District | 1,689                          | 2           | 1.8%   |
| Social Security Administration            | 1,276                          | 3           | 1.3%   |
| U.S. Postal Service                       | 1,050                          | 4           | 1.1%   |
| Contra Costa County                       | 850                            | 5           | 0.9%   |
| City of Richmond                          | 703                            | 6           | 0.7%   |
| The Permanente Medical Group              | 698                            | 7           | 0.7%   |
| Kaiser Foundation Hospitals               | 506                            | 8           | 0.5%   |
| Costco Wholesale #482                     | 371                            | 9           | 0.4%   |
| Blue Apron, Inc.                          | <u>325</u>                     | 10          | <u>0.3%</u>  |
| Subtotal                                  | <u><u>10,924</u></u>           |             | <u><u>11.4%</u></u>                                |
| Total City Day Population                 | <u><u>95,716</u></u>           |             |  |

Source: City of Richmond Community Development Department

Notes: Data for fiscal year 2005/06 is not available

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



|   | Adopted for Fiscal Year Ended June 30, |              |              |              |              |              |              |              |              |              |
|---|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2006                                   | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
| <b>Function</b>                               |  |              |              |              |              |              |              |              |              |              |
| General government                            | 87.2                                   | 104.0        | 105.5        | 107.2        | 113.2        | 100.2        | 101.7        | 102.9        | 104.4        | 105.2        |
| Public safety                                 | 378.5                                  | 396.5        | 405.0        | 406.0        | 407.0        | 394.0        | 386.0        | 388.0        | 398.0        | 390.0        |
| Public works                                  | 139.5                                  | 150.0        | 154.0        | 149.0        | 146.0        | 123.0        | 116.0        | 113.0        | 116.0        | 109.0        |
| Community development                         | 73.0                                   | 88.0         | 96.0         | 80.0         | 80.0         | 72.0         | 71.0         | 66.0         | 64.0         | 56.0         |
| Cultural and recreational                     | 74.4                                   | 113.2        | 130.4        | 124.4        | 91.2         | 72.2         | 73.8         | 73.2         | 76.8         | 66.0         |
| Housing and redevelopment                     | 39.0                                   | 39.0         | 41.0         | 40.0         | 34.0         | 19.0         | 19.6         | 13.0         | 12.0         | 10.0         |
| Richmond Housing Authority and RHA Properties | 56.0                                   | 36.5         | 33.0         | 33.0         | 33.0         | 32.0         | 32.0         | 25.0         | 29.0         | 25.0         |
| Port of Richmond                              | 5.0                                    | 6.0          | 6.0          | 7.0          | 7.0          | 6.0          | 6.0          | 6.0          | 6.0          | 6.0          |
| Richmond Marina                               | (1)                                    | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          |
| Municipal Sewer                               | (1)                                    | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          |
| Storm Sewer                                   | (1)                                    | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          | (1)          |
| Cable TV                                      | (1)                                    | (1)          | (1)          | (1)          | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          |
| Convention Center                             | (1)                                    | (2)          | (2)          | (2)          | (3)          | (3)          | (3)          | (3)          | (3)          | (3)          |
| <b>Total</b>                                  | <b>852.6</b>                           | <b>933.2</b> | <b>970.9</b> | <b>946.6</b> | <b>911.4</b> | <b>818.4</b> | <b>806.1</b> | <b>787.1</b> | <b>806.2</b> | <b>767.2</b> |

Source: City of Richmond Budget

Notes:

- (1) These services are provided by outside contractors.
- (2) Convention Center closed during renovation and staff moved under cultural and recreational.
- (3) Staff that perform these functions are included under General Government and Cultural and Recreational.

**CITY OF RICHMOND**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

| <b>Function/Program</b>                                      | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Public safety:</b>  |             |             |             |             |             |             |             |             |             |             |
| <b>Fire:</b>   |             |             |             |             |             |             |             |             |             |             |
| Fire calls for service                                       | 10,068      | 11,006      | 10,677      | 9,861       | 11,723      | 12,237      | 12,770      | 12,868      | 12,988      | 13,670      |
| Primary fire inspections conducted                           | 5,502       | 9,795       | 5,581       | 6,201       | 5,752       | 5,055       | 1,071       | 2,716       | 3,000       | 1,569       |
| Number of firefighters                                       | 93          | 99          | 99          | 98          | 109         | 83          | 85          | 93          | 85          | 94          |
| Number of firefighters and civilians per thousand population | 0.9         | 1.0         | 1.0         | 1.1         | 1.0         | 1.2         | 0.8         | 0.8         | 0.8         | 0.8         |
| <b>Police:</b>   |             |             |             |             |             |             |             |             |             |             |
| Number of police officers per thousand population            | 1.7         | 1.7         | 1.7         | 1.7         | 1.9         | 1.7         | 1.8         | 1.8         | 1.7         | 1.8         |
| Number of sworn officers                                     | 179         | 179         | 187         | 176         | 200         | 188         | 191         | 195         | 186         | 196         |
| <b>Water</b>   |             |             |             |             |             |             |             |             |             |             |
| Daily average consumption in gallons per family              | 250         | 250         | 250         | 250         | 250         | 250         | 250         | 250         | 250         | 250         |

**Source:** City of Richmond

**CITY OF RICHMOND**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

|  | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Function/Program</b>  |        |        |        |        |        |        |        |        |        |        |
| Public safety:   |        |        |        |        |        |        |        |        |        |        |
| Fire stations  | 7      | 7      | 7      | 7      | 7      | 7      | 7      | 7      | 7      | 7      |
| Police stations  | 6      | 6      | 6      | 6      | 6      | 4      | 4      | 4      | 4      | 4      |
| Library (#) of Locations   | 1      | 1      | 3 *    | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| (* two branch library sites were refurbished and opened in January 2008) |        |        |        |        |        |        |        |        |        |        |
| Public works   |        |        |        |        |        |        |        |        |        |        |
| Miles of streets   | 280    | 280    | 280    | 280    | 280    | 280    | 280    | 280    | 280    | 280    |
| Street lights  | 7,000  | 7,000  | 7,000  | 7,000  | 7,000  | 7,000  | 7,000  | 7,000  | 6,543  | 8,343  |
| Urban Forest (trees) (a)   | 39,900 | 40,200 | 40,200 | 40,200 | 40,757 | 41,293 | 41,562 | 26,000 | 21,609 | 22,009 |
| Culture and recreation:  |        |        |        |        |        |        |        |        |        |        |
| Community services:  |        |        |        |        |        |        |        |        |        |        |
| City parks   | 53     | 55     | 55     | 55     | 55     | 55     | 55     | 55     | 55     | 55     |
| City parks acreage   | 280.0  | 336.6  | 336.6  | 336.6  | 336.6  | 336.6  | 336.6  | 336.6  | 336.6  | 336.6  |
| Open Space & Public Landscapes acreage                                   | 562.0  | 510.0  | 510.0  | 510.0  | 510.0  | 510.0  | 510.0  | 510.0  | 510.0  | 510.0  |
| Lawn bowling   | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Recreation centers   | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      |
| Auditorium/Theater   | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Gymnasiums   | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| Senior centers   | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      |
| Headstart centers/day cares  | 10     | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      |
| Putting green  | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Basketball courts  | 28     | 28     | 28     | 28     | 28     | 28     | 28     | 28     | 28     | 28     |
| Swimming pools   | 1      | 1      | 1      | 1      | 1      | 2      | 2      | 2      | 2      | 2      |
| Tennis courts  | 17     | 20     | 20     | 20     | 20     | 20     | 20     | 20     | 20     | 20     |
| Baseball/softball diamonds   | 26     | 26     | 26     | 26     | 26     | 26     | 26     | 26     | 26     | 26     |
| Soccer/football fields   | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17     |
| Cricket fields   | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      |
| Water  |        |        |        |        |        |        |        |        |        |        |
| Fire hydrants  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  | 3,153  |
| Wastewater   |        |        |        |        |        |        |        |        |        |        |
| Miles of sanitary sewers   | 230    | 230    | 230    | 230    | 230    | 230    | 230    | 230    | 230    | 230    |
| Miles of storm sewers  | 310    | 310    | 310    | 310    | 310    | 310    | 310    | 310    | 310    | 310    |
| Land Area (square miles)   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   | 33.7   |
| Miles of waterfront  | 32     | 32     | 32     | 32     | 32     | 32     | 32     | 32     | 32     | 32     |

**Source:** City of Richmond

**Note:** Data prior to 2006 is not available

(a) Trees managed by the City for 2013 to present.

Data Prior to 2013 includes trees managed by other entities, such as East Bay Regional Park District, National Parks and Privately owned.