

This Preliminary Official Statement and the information herein are subject to change, completion and amendment without notice. The Notes may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The City deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information which has been omitted in accordance with said Rule and which will be supplied in the final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 20, 2009

RATINGS
Moody's: MIG1
Standard & Poor's: SP-1+
Fitch's: F1+

IN THE OPINION OF BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE NOTES IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE NOTES IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL INDIVIDUAL OR CORPORATE ALTERNATIVE MINIMUM TAXES, NOR IS IT INCLUDED IN ADJUSTED CURRENT EARNINGS WHEN CALCULATING CORPORATE ALTERNATIVE MINIMUM TAXABLE INCOME. BOND COUNSEL IS ALSO OF THE OPINION THAT UNDER EXISTING LAW, INTEREST ON THE NOTES IS EXCLUDED FROM INCOME TAXATION BY THE COMMONWEALTH OF VIRGINIA. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE ACCRUAL OR RECEIPT OF INTEREST ON, THE NOTES. SEE "TAX MATTERS" HEREIN.

NEW ISSUE
BOOK-ENTRY ONLY



\$70,000,000* **CITY OF RICHMOND, VIRGINIA** **GENERAL OBLIGATION REVENUE ANTICIPATION NOTES** **SERIES 2009**

Dated: Date of Issuance and Delivery	Principal and Interest Due: June 24, 2010
Denomination: \$5,000 and Integral Multiples Thereof	Form: Registered, Book-Entry Only

The General Obligation Revenue Anticipation Notes, Series 2009 (the "Notes") of the City of Richmond, Virginia (the "City"), in the aggregate principal amount of \$70,000,000*, will bear interest from their date of issuance and delivery. Principal and interest will be payable at maturity. The Notes are issuable in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Purchasers will not receive certificates representing their interest in the Notes purchased. Individual purchases of Notes will be in denominations of \$5,000 or integral multiples thereof. Principal and interest will be paid by U.S. Bank National Association, Richmond, Virginia, as paying agent and registrar (the "Paying Agent"), to DTC or its nominee, which will remit the payments to its participants for subsequent disbursement to beneficial owners of the Notes.

The Notes will be general obligations of the City for which its full faith and credit will be irrevocably pledged to their payment. The City Council of the City is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Notes, to levy and collect, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, an ad valorem tax, over and above all other taxes authorized or limited by law, unlimited as to rate or amount, upon all property within the City subject to taxation by the City sufficient to pay the principal of and interest on the Notes.

Interest Rate: ____%		Initial Public Offering Yield: ____%	
Paying Agent:	U.S. Bank National Association Richmond, Virginia	Financial Advisor:	Davenport & Company LLC Richmond, Virginia
Bond Counsel:	Lewis, Munday, Harrell & Chambliss Richmond, Virginia and Orrick, Herrington & Sutcliffe LLP Washington, D.C.	Conditions To Issuance of Notes:	The Notes are offered when, as and if issued, subject to, among other conditions, the delivery of the Notes and the approving legal opinion of Bond Counsel.
Delivery Date:	On or about November 10, 2009		

The Notes will be awarded pursuant to electronic competitive bidding to be held via BIDCOMP/PARITY® on October 28, 2009, unless postponed, as set forth in the Notice of Sale contained in Appendix G to this Official Statement.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: October __, 2009

* Preliminary, subject to change.

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**CITY OF RICHMOND, VIRGINIA
ELECTED OFFICIALS**

MAYOR

Dwight C. Jones

CITY COUNCIL

Kathy C. Graziano, President

Ellen F. Robertson, Vice President

Douglas G. Conner, Jr.

Christopher A. Hilbert

E. Martin Jewell

Charles R. Samuels

Betty Squire

Reva M. Trammell

Bruce W. Tyler

ADMINISTRATION

Byron C. Marshall, Chief Administrative Officer

Marcus D. Jones, Deputy CAO - Finance and Administration

Christopher L. Beschler, Deputy CAO – Operations

Peter H. Chapman, Deputy CAO – Economic and Community Development

Norman B. Sales, City Attorney

FISCAL MANAGEMENT

Michael W. Terry, Interim Director of Finance

James P. Duval, Jr., Debt and Investment Portfolio Manager

Rayford L. Harris, Jr., Director of Budget and Strategic Planning

BOND COUNSEL

Lewis, Munday, Harrell & Chambliss

Orrick, Herrington & Sutcliffe LLP

CERTIFIED PUBLIC ACCOUNTANTS

KPMG LLP

FINANCIAL ADVISOR

Davenport & Company LLC

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The Notes are exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the Commonwealth of Virginia, the Notes are also exempt from registration under the securities laws of Virginia.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CITY AND THE PURCHASERS OR OWNERS OF ANY OF THE NOTES. NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE NOTES BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH A PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES AS OF WHICH INFORMATION IS GIVEN HEREIN.



OFFICIAL STATEMENT
\$70,000,000*
CITY OF RICHMOND, VIRGINIA

GENERAL OBLIGATION REVENUE ANTICIPATION NOTES
SERIES 2009

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to furnish information concerning the City of Richmond, Virginia (the "City") in connection with the sale by the City of \$70,000,000* aggregate principal amount of General Obligation Revenue Anticipation Notes, Series 2009 (the "Notes").

There follows in this Official Statement a brief description of the Notes and in **Appendix A** a description of the City, including its territory and government and information regarding the City's budget, finances, economic condition, tax base, debt management and contingencies. **Appendix B** includes the City's forecasted cash flow for the fiscal year ending June 30, 2010. **Appendix C** includes the City's audited Financial Statements for the fiscal year ended June 30, 2008. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This Official Statement is in effect only as of its date.

This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Persons considering a purchase of the Notes should read this Official Statement in its entirety.

THE ISSUER

The issuer of the Notes is the City of Richmond, Virginia. The City, located in the central portion of the state, is the capital of the Commonwealth of Virginia (the "Commonwealth") and covers an area of approximately 63 square miles. The City had a population of 202,002 in 2008 according to the United States Census Bureau.

The City is organized under the Mayor-Council form of government. The Mayor is elected every four years by a majority of the voters in at least five of the City's nine council districts. The Mayor is the chief executive officer of the City and responsible for the proper administration of the City government. The City Council of the City (the "City Council") establishes the policies for the administration of the City. The City Council is comprised of nine members, elected on a single member district basis for four-year terms. The President of the Council is chosen by a majority vote of all members of City Council from their own members and is elected at the City Council's January organizational meeting for a term of two years. The Mayor appoints a Chief Administrative Officer, subject to the advice and consent of a majority of the members of the City Council, who serves at the pleasure of the Mayor. The Chief Administrative Officer has responsibility for the day-to-day operation of the City's departments and agencies and has the power of appointment and removal of certain officers and employees of the City as well as the heads of all administrative departments.

Additional information with respect to the City is set forth in **Appendix A** hereto. Audited financial statements for the City for the fiscal year ended June 30, 2008, are set forth in **Appendix C** hereto.

*Preliminary, subject to change.



NOTES

REVENUE ANTICIPATION NOTES AND APPLICATION OF PROCEEDS

Authorization and Purpose

The City will issue the Notes in anticipation of the collection of taxes and revenue for the current fiscal year, commencing July 1, 2009, including but not limited to, the revenue to be derived from the collection of real estate taxes and personal property taxes during the fiscal year ending June 30, 2010. The proceeds of the Notes will be used for ongoing operations, including but not limited to salaries, wages and other municipal expenses. The City will issue the Notes under Ordinance No. 2009-53-76 adopted by the City Council on May 26, 2009 (the "Ordinance"), and pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Charter of the City and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended (the "Act").

Description

The Notes will be dated their date of issuance and delivery, and will be issued in denominations of \$5,000 or any integral multiple thereof. The Notes will bear interest at the rate of _____% per annum and will be payable at maturity on June 24, 2010. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.

The Notes will not be subject to redemption prior to maturity and will be issued in fully registered book-entry form with no physical distribution of Note certificates to individual purchasers. One note certificate for the Notes will be issued to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Principal of and interest on the Notes will be payable by U.S. Bank National Association, Richmond, Virginia (the "Paying Agent"), to DTC, which will remit the payments to DTC Participants for payment to Beneficial Owners of the Notes, as hereinafter described.

Security and Source of Payment

The Notes are general obligations of the City, for the payment of which the City's full faith and credit are irrevocably pledged. The Council is authorized and required by law, unless funds are lawfully available and appropriated for timely payment of the Notes, to levy and collect, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, an ad valorem tax, over and above all other taxes authorized or limited by law and unlimited as to rate or amount, upon all property subject to taxation by the City sufficient to pay the principal of, and interest on the Notes, which tax shall be in addition to all other taxes authorized to be levied in the City.

DTC and Book-Entry Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes and will be deposited with DTC. **Appendix D** includes more information regarding DTC and the Book-Entry Only System.

The information in this section and in **Appendix D** concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE DESCRIPTIONS IN THIS OFFICIAL STATEMENT OF THE DEPOSITORY TRUST COMPANY, THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES, PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES TO PARTICIPANTS IN DTC, OR TO EACH ACTUAL PURCHASER OF EACH NOTE, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES OR OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS ARE BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON SUCH INFORMATION WITH RESPECT TO



SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THE CITY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR BANKS, BROKERS, DEALERS, TRUST COMPANIES AND OTHERS THAT CLEAR THROUGH OR MAINTAIN A CUSTODIAL RELATIONSHIP WITH A DTC PARTICIPANT, EITHER DIRECTLY OR INDIRECTLY, WILL DISTRIBUTE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE NOTES PAID TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE NOTES, OR ANY REDEMPTION OR OTHER NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL SERVE AND ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Noteholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon an affidavit filed with the Governor of the Commonwealth (the "Governor") by petition of any owner of or paying agent for a general obligation bond or note in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the City and apply the amount so withheld to payment of the defaulted principal, premium and interest.

Section 15.2-2659 also provides for notice to the registered owners of such bonds or notes of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessor provisions, Sections 15.1-225 and 15.1-227.61, has ever been issued for the City. Although neither Section 15.2-2659 nor its predecessor provisions, Sections 15.1-225 and 15.1-227.61, has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds can be withheld pursuant to its predecessor provisions. In the fiscal year ended June 30, 2009 total direct appropriations paid by the Commonwealth to the City amounted to approximately \$149,897,033 of which approximately \$118,620,599 was deposited in the City's General Fund. The City has never defaulted on the payment of principal, premium or interest on any general obligation bonds or notes.

Neither the Notes nor the proceedings with respect thereto specifically provide any remedies that would be available to Noteholders if the City defaults in the payment of principal of or interest on the Notes, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the Noteholders upon the occurrence of such a default. Upon any default in the payment of principal or interest, a Noteholder may, among other things, seek to obtain from an appropriate court a writ of mandamus requiring the Council to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), 11 U.S.C. §101 *et seq.* (the "Bankruptcy Code"), permits a municipality (defined in section 101(40) of the Bankruptcy Code as a "political subdivision or public agency or instrumentality of a State" and including the City), if insolvent, to file a voluntary petition for the purpose of commencing a case under that Chapter and proposing a plan for the adjustment of debts, provided that, *inter alia*, the municipality is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under Chapter 9. Current Virginia statutes do not "specifically authorize" the City or municipalities generally to commence a case under Chapter 9 of the Bankruptcy Code. Furthermore, creditors are not authorized by the Bankruptcy Code to commence an involuntary case, either under Chapter 9 or against a municipality under any other Chapter of the Bankruptcy Code.

If Virginia statutes were amended in the future to specifically authorize the City to commence a case under Chapter 9 of the Bankruptcy Code or should the Bankruptcy Code be amended in the future to permit the commencement of involuntary bankruptcy proceedings against municipalities, then such bankruptcy proceedings by the City could have adverse effects on Noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without



NOTES

their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds and notes, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.



LITIGATION

There are miscellaneous claims against the City in litigation. In the opinion of the City Attorney and the City administration, none of these claims would materially affect the City's financial position. According to the City Attorney, there is no litigation of any kind now pending or, to the best of his information, knowledge and belief, threatened to restrain or enjoin the issuance or delivery of the Notes, in any manner questioning the proceedings and authority under which the Notes are issued or affecting the ability of the City to levy or collect ad valorem taxes over and above all other taxes authorized or limited by law without limitation as to rate or amount for payment of principal of or interest on the Notes.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and Fitch Ratings have assigned the Notes ratings of MIG1, SP-1+ and F1+, respectively. The City requested that the Notes be rated and furnished certain information which may not be included in this Official Statement. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised or withdrawn by either or all of such agencies. Reference should be made to the individual rating agency for a fuller description of the meanings of the ratings assigned by each agency. Any downward revision or withdrawal of any of such ratings could have an adverse effect on market prices for the Notes.

INDEPENDENT AUDIT

The financial statements included in **Appendix C** have been audited by KPMG LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon on page C-1. KPMG LLP will not be reviewing any matters in connection with the issuance of the Notes.

CONTINUING DISCLOSURE

The City has undertaken in the Ordinance to assist the purchasers of the Notes in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, and as in effect as of the date hereof, by providing material event notices required by the Rule. As described in **Appendix E**, such undertaking requires the City to provide only limited information at specified times. The City has not failed to meet its obligation with respect to continuing disclosure as of the date of this Official Statement.

CERTAIN LEGAL MATTERS

Certain legal matters will be passed upon by Lewis, Munday, Harrell & Chambliss, Richmond, Virginia, and Orrick, Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel, in substantially the form set forth in **Appendix F**, which will be furnished at the expense of the City upon delivery of the Notes.

The opinions of Bond Counsel will be limited to matters relating to authorization and validity of the Notes and to the tax-exempt status of interest thereon as described in the section herein "Tax Matters." Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment on the Notes.

Certain legal matters will be passed on for the City by its City Attorney, Norman B. Sales, Esquire.



LEGAL AND MISCELLANEOUS

TAX MATTERS

In the opinion of Lewis, Munday, Harrell & Chambliss and Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is excluded from income taxation by the Commonwealth of Virginia. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in **Appendix F**.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxation by the Commonwealth of Virginia, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes



should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt notes is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the City or the Beneficial Owners to incur significant expense.

FINANCIAL ADVISOR

Davenport & Company LLC, Richmond, Virginia, serves as financial advisor to the City with respect to the sale of the Notes. The financial advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Notes by the City.

SALE AT COMPETITIVE BIDDING

The Notes will be awarded pursuant to a competitive bidding to be held in an electronic competitive bidding format via the BIDCOMP/PARTIY Competitive Bidding System (BIDCOMP/PARITY), on October 28, 2009, unless postponed, as set forth in the Notice of Sale contained in **Appendix G**.

After the Notes have been awarded to the winning bidder, the City will issue an Official Statement in final form to be dated October 28, 2009. The City will deem the Official Statement in final form as of its date, and the Official Statement in final form will be a "Final Official Statement" within the meaning of the Rule. The Official Statement in final form will include among other matters the identity of the winning bidder and the managers of the syndicate, if any, submitting the winning bid, the expected selling compensation to underwriters of the Notes and other information on the interest rate, and offering price or yield of the Notes, as supplied by the winning bidder.



LEGAL AND MISCELLANEOUS

MISCELLANEOUS

Additional information may be obtained, upon request, from the Interim Director of Finance, 900 E. Broad Street, Richmond, Virginia 23219 (804-646-6395) or from the City's Financial Advisor, 901 East Cary Street, Richmond, Virginia 23219 (804-697-2900).

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Notes.

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to the laws for full and complete statements of their provisions.

APPROVAL OF PRELIMINARY OFFICIAL STATEMENT

The execution of this Official Statement and its delivery have been duly authorized by the Interim Director of Finance upon authorization from the City Council. The Interim Director of Finance, on behalf of the City, has deemed this Official Statement final as of its date within the meaning of the Rule, except for the omission of certain pricing information permitted to be omitted pursuant to the Rule.

CITY OF RICHMOND, VIRGINIA

BY: _____
Interim Director of Finance

APPENDIX A

THE CITY OF RICHMOND, VIRGINIA





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CITY GOVERNMENT AND ADMINISTRATION

Overview

The City of Richmond (the "City" or "Richmond") is a municipal corporation of the Commonwealth of Virginia (the "Commonwealth" or "Virginia") and is the capital of the Commonwealth. As a full service independent city, it is autonomous of any county or other political subdivision. Its citizens are not subject to taxation by any county or independent school district for any purpose. The City covers an area of approximately 63 square miles. According to the U.S. Census Bureau population estimate, the City had a population of 202,002 in 2008. As of January 1, 2009, the assessed taxable real property base valuation in the City was \$21,099,029,043.

General Government

The City is governed by a Mayor and a City Council (the "Council"). The Mayor is elected every four years by a majority vote of voters in at least five of the City's nine council districts. The Mayor is the chief executive officer of the City with responsibilities that include submitting the annual budget to the Council, selecting a Chief Administrative Officer with the advice and consent of the Council, issuing regulations as necessary to implement the duties and powers of the Mayor and making recommendations on revenue and funding transfer matters. Effective July 1, 2005, the City Charter (the "Charter"), was amended to grant the Mayor the power to veto any item in any City budget ordinance or resolution, which veto may be overridden only by an affirmative vote of six or more Council members.

The Council establishes the policies for the administration of the City. The Council is comprised of nine members each elected in a single district. Council members are elected for a four-year term. The Council elects from its membership a President of the Council who serves a two-year term and presides at meetings of the Council. If a vacancy occurs in the office of the Mayor, the President of the Council becomes acting Mayor until residents of the City elect a successor to fill the remainder of the term. In July 2005, the Council amended its procedural rules to provide for the position of Vice President.

The Chief Administrative Officer reports to and serves at the pleasure of the Mayor with the approval of the Council and is responsible for the day-to-day operations of the City. The Chief Administrative Officer has the power of appointment and removal of the heads of the administrative departments of the City.

Overview of the Organization

Office of the Mayor

Mayor Dwight C. Jones was elected Mayor of the City in November 2008 and began serving a four-year term on January 2, 2009. Mr. Jones is a former member of the Virginia State Legislature, having represented the 70th District (Richmond area) in the Virginia House of Delegates for fourteen years, from 1994-2008, before resigning to become Mayor of the City. During his time in the Virginia State Legislature, he worked with members on both sides of the aisle to focus on providing health services, ensuring strong finances in the Commonwealth, and protecting the City's neighborhoods and citizens.

Mr. Jones is the founder of the South Richmond Senior Center, and the Imani Intergenerational Community Development Corporation – a community based development corporation committed to building affordable housing, revitalization of distressed business areas and business development, as well as workforce initiatives and training.

In 1985, Mr. Jones was named one of Richmond's 100 Most Outstanding Citizens. In addition to his service in state government, he previously served as a member of the Richmond City School Board beginning in 1979 and served as its chairman from 1982-1985. He has served on many corporate and community boards, including Richmond Renaissance (former chair), MCV Hospital Authority, Metro Richmond Convention and Visitors Bureau, Richmond Red Cross, YMCA Board of Directors, Richmond Commission on Human Relations, the Virginia Commission on Immigration, and the Virginia Legislative



CITY GOVERNMENT AND ADMINISTRATION

Black Caucus.

Mr. Jones graduated in 1970 from Virginia Union University with a Bachelor of Arts degree in Sociology. After returning to Virginia Union to earn a Master of Divinity degree, Mr. Jones went on to complete his Doctorial degree at the United Theological Seminary in Dayton, Ohio.

City Council

President of Council and Fourth District Representative. Kathy C. Graziano was elected to the Council in 2004 and elected to serve as Council President in January 2009. Ms. Graziano serves as Co-Chair of the Organizational Development Committee. Ms. Graziano is a retired lobbyist who received a Bachelor of Arts Degree from the State University of New York-Cortland.

Vice President of Council and Sixth District Representative. Ellen F. Robertson was elected to the Council in 2003 and was elected Council Vice President in January 2009. Ms. Robertson serves as Chair of the Finance Committee, Co-Chair of the Organizational Development Committee and as Vice-Chair of the Land Use, Housing and Transportation Committee. Ms. Robertson received an Associate Degree from J. Sargeant Reynolds Community College and a Bachelor of Science Degree from Virginia Commonwealth University.

First District Representative. Bruce W. Tyler was elected to Council in 2006. Mr. Tyler serves as Vice-Chair of the Government Operations Committee and as a member of the Finance and the Organizational Development Committees. Mr. Tyler is an architect and principal with Baskerville, Inc., a Richmond-based architectural, engineering and interior design firm. He received a Bachelor of Arts Degree in architecture from Virginia Tech and an Masters of Arts Degree in product design from North Carolina State University.

Second District Representative. Charles R. Samuels was elected to the Council in 2008. Mr. Samuels is an attorney in private practice. Mr. Samuels serves as Vice-Chair of the Finance Committee and as a member of the Land Use, Housing and Transportation and the Organizational Development Committees. He received an undergraduate degree from the College of William and Mary and a Juris Doctorate from the University of Richmond's School of Law.

Third District Representative. Christopher A. Hilbert was elected to the Council in 2004. Mr. Hilbert serves as Chair of the Health, Human Services and Education Committee and as a member of the Public Safety and the Organizational Development Committees. Mr. Hilbert is currently a senior housing initiatives officer with the Virginia Housing Development Authority. He received a Bachelor of Science Degree in finance and a Masters of Business Administration Degree from the University of Tennessee.

Fifth District Representative. E. Martin Jewell was elected to the Council in 2004. Mr. Jewell serves as Chair of the Government Operations Committee, as Vice-Chair of the Health, Human Services and Education and as a member of the Organizational Development Committee. Mr. Jewell is a self-employed businessman. He received a Bachelor of Arts Degree from Virginia Union University.

Seventh District Representative. Betty Squire was appointed by the City Council on February 9, 2009, to serve as the interim City Council representative for the Seventh District. Ms. Squire will continue to serve in this position until a special election is held in November 2009. She currently serves as a member of the Government Operations, Organizational Development, and Public Safety Committees.

Eighth District Representative. Reva M. Trammell was re-elected to Council in 2006, having previously served on the Council from 1998 to 2002. Ms. Trammell serves as Chair of the Public Safety Committee and as a member of the Organizational Development Committee.

CITY GOVERNMENT AND ADMINISTRATION



Ninth District Representative. Douglas G. Conner, Jr. was elected to the Council in 2006. Mr. Conner serves as Chair of the Land Use, Housing and Transportation and as a member of the Organizational Development Committee. Mr. Conner owns Conner Brothers Collision Centers, a small business in Richmond, Virginia.

Administration

Chief Administrative Officer, Byron C. Marshall was appointed Chief Administrative Officer on July 1, 2009. Mr. Marshall is responsible for all day-to-day operations of the City and for the appointment and removal of all administrative department heads of the City. Prior to his appointment with the City, Mr. Marshall served as President and Chief Executive Officer of the Austin Revitalization Authority in Austin, Texas, and had previously served as an Assistant City Manager for the City of Austin, Texas. Prior to his work in Austin, Texas, Mr. Marshall also worked in Washington, D.C., as the deputy controller, deputy director and acting director for the Department of Human Services, in Houston, Texas, as the Deputy Director and Acting Director for the Department of Finance and Administration, and in Atlanta, Georgia, as the city's Chief Operating Officer and as the executive director for the Atlanta Downtown Development Authority. Mr. Marshall has a Bachelor's degree from Syracuse University.

Deputy Chief Administrative Officer – Finance and Administration, Marcus D. Jones was appointed Deputy Chief Administrative Officer – Finance and Administration on August 24, 2009. He is responsible for oversight of the Finance, Budget, Procurement, and Information Technology Departments of the City. Prior to joining the City, Mr. Jones served as Assistant City Manager for the City of Norfolk, Virginia where he oversaw financial operations. Previously, he served for over a decade under the Secretary of Finance for the Commonwealth of Virginia. Mr. Jones received his Bachelor's degree in public administration from James Madison University and his Master's degree in public administration from Virginia Commonwealth University.

Deputy Chief Administrative Officer – Operations, Christopher L. Beschler was appointed Deputy Chief Administrative Officer – Operations in August 2009, having previously served the City as Interim Chief Administrative Officer for a nine-month period. Mr. Beschler joined the City in January 2006 as Director of Public Utilities. In his current position, Mr. Beschler will oversee the Departments of Public Utilities and Public Works. Mr. Beschler has served in senior management of both public and private utility companies for many years. Prior to joining the City, Mr. Beschler was vice president and interim chief operating officer for Yankee Gas Services Company, a part of the Northeastern Utilities System (NYSE: NU) and Connecticut's largest natural gas distribution company, delivering natural gas to approximately 200,000 customers in 71 cities and towns. Mr. Beschler received a Bachelor of Science Degree in mechanical engineering and a Masters of Business Administration Degree from the University of Connecticut.

Deputy Chief Administrative Officer – Economic and Community Development, Peter H. Chapman was appointed Deputy Chief Administrative Officer – Economic and Community Development in July 2009. In this position, Mr. Chapman has oversight responsibilities for the Departments of Economic Development and Community Development, as well as, the Offices of Real Estate Services and Minority Business Enterprise. Prior to joining the City, Mr. Chapman served as a key economic advisor to the Mayor of Denver, Colorado. He also served as Executive Director of Seedco Financial-Denver, a national Community Development Financial Institution. Mr. Chapman received a Bachelor's degree in English literature from Wesleyan University and a Masters degree in public policy from Tufts University.

Chief of Staff, Suzette P. Denslow was appointed Chief of Staff in January 2009. Prior to joining the City, she served as the Legislative Director and Deputy Director of Policy under Virginia Governors Mark Warner and Timothy Kaine. Previously, she worked for over ten years for the Virginia Municipal League and served for two years as Executive Director of the Tennessee Municipal League. Ms. Denslow received her Bachelor's degree in urban studies from Virginia Commonwealth University and a Master's degree in public administration from the University of Virginia.



CITY GOVERNMENT AND ADMINISTRATION

City Attorney. Norman B. Sales was appointed City Attorney on November 14, 2005, after having served since March 21, 2005 as interim City Attorney. He heads the Law Department and is responsible for providing representation for the City, including the Council, the Mayor, the Chief Administrative Officer and all departments, boards, commissions and agencies of City government. Immediately prior to becoming Interim City Attorney, Mr. Sales was a Senior Assistant City Attorney for the City, where he provided supervision, assistance and advice to seven Assistant City Attorneys in the areas of local legislation, zoning and land use; contracts, purchasing and procurement; Building Code enforcement; sale of delinquent tax properties; public health, public utilities, finance and real estate assessments. In addition, he provided direct representation to the Council, the Richmond Retirement System and the Department of Public Works. He has been an attorney in the City Attorney's Office since October 1989. Prior to joining the City Attorney's Office, Mr. Sales was an associate in private practice with the law firm of O'Keefe, Morrison and Spies. He received a Bachelor of Arts Degree from Old Dominion University and a Juris Doctorate from the Marshall-Wythe School of Law at the College of William and Mary.

Fiscal Management

Interim Director of Finance. Michael W. Terry joined the City in July 2007. Prior to joining the City, Mr. Terry served as chief fiscal officer and senior accounting manager for Commonwealth of Virginia Institutions of Higher Education. He also served as chief fiscal officer for the Massachusetts General Hospital Nuclear Magnetic Resonance Research Center and as senior manager and a consultant specializing in higher education, research and non-profit firm audit reviews for KPMG (Peat Marwick). Mr. Terry received a Bachelor of Science Degree from Virginia Union University.

Debt and Investment Portfolio Manager. James P. Duval, Jr. joined the City's Finance Department in June 2001. Mr. Duval served as the City's Interim Director of Finance from October 2005 through November 2005. Prior to joining the City, Mr. Duval was employed by SunTrust Bank (formerly Crestar Financial Corporation) where he served in the Richmond commercial banking division, national banking division, municipal finance group and the treasury management division. Mr. Duval received a Bachelor of Arts Degree in economics from the University of Richmond. He is a member of the Government Finance Officers Association.

Director of Budget and Strategic Planning. Rayford L. Harris, Jr. has served as Budget Director since January 2006. Mr. Harris began his career with the City in 1981 in the Department of Information Technology. He has served in the Budget Department for over nine years as a senior budget analyst and as deputy director prior to his appointment as Budget Director. Mr. Harris received a Bachelor of Arts Degree in mathematics from the University of Richmond.

FINANCIAL INFORMATION



Financial Management

Fund Balance Policy

The Council adopted a Fund Balance Policy on March 14, 1988, which established certain major policy goals. On October 26, 1992, and on November 26, 2001, the Council amended the Fund Balance Policy, raising the required level of the undesignated fund balance from 3% to 5%, and from 5% to 7%, respectively, as a percent of budgeted General Fund expenditures over a period of years. The Fund Balance Policy, as amended, provides that:

- 1) The Mayor will prepare and administer General Fund budgets that will provide operating surpluses of 0.5% of expenditures until the Undesignated Fund Balance reaches at least 7% of budgeted expenditures. As of June 30, 2008, the Undesignated Fund Balance was \$47,638,753, which equaled 7.45% of budgeted expenditures for fiscal year 2008.
- 2) The Council, in adopting a General Fund budget, will provide that General Fund budget operating surpluses be no less than those recommended by the Mayor in the General Fund budget submitted to the Council.
- 3) No appropriations will be made from the Undesignated Fund Balance until the 7% goal has been reached.
- 4) The City will not appropriate any amount from the Undesignated Fund Balance until at least one year after the accumulation of the 7% Undesignated Fund Balance and then only if faced with an unusual, unanticipated and otherwise seemingly insurmountable hardship.

Budget Adoption

The Charter requires that the General Fund budget be prepared in accordance with accepted principles of municipal accounting and budgetary procedures and techniques in the manner described below.

- 1) On or about April 7, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget, including a transfer to the schools, contains proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) On or before May 31, the budget is legally enacted through passage of an ordinance. If the Council does not adopt a budget prior to May 31, the budget submitted by the Mayor shall be in full force and effect as if it had been adopted by the Council.
- 4) Effective July 1, 2005, the City Charter was amended to grant the Mayor power to veto any one or more items in any City budget ordinance or resolution by written notice of veto delivered to the City Clerk within 14 calendar days of Council's action. The Council may override the Mayor's veto by vote of any six or more Council members at a meeting held within 14 days after the City Clerk's receipt of the notice of veto.
- 5) The Mayor is authorized to transfer budget amounts within departments; however, the Council must approve any revisions that alter the total expenditures of any department or agency.
- 6) Formal budgetary integration is employed as a management control device during the year for all funds.



CITY GOVERNMENT AND ADMINISTRATION

- 7) Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are generally prepared on the modified accrual basis of accounting, except those encumbrances that do not lapse at the end of a fiscal year, which are included as budgetary expenditures.

Basis of Accounting

For a detailed discussion of the City's basis of accounting, please refer to the City's annual financial statements. The City has received national recognition for its financial management, including the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award, each by the Government Finance Officers Association of the United States and Canada for 24 consecutive years.

Cash Management

The City pools its cash in order to maximize its investment opportunities, resulting in greater flexibility and a better investment return. Investments consist primarily of repurchase agreements, U.S. government obligations and U.S. government guaranteed investments. All repurchase agreements are collateralized by United States government securities. Interest earned on pooled cash is allocated to the various participating funds based upon their net annual equity in pooled cash.

General Fund Financial Results

The General Fund is used to account for the general operations of the City, except for those accounted for in another fund.

General Fund Operations for the Fiscal Year Ended June 30, 2008

Total General Fund Revenues and Other Financing Sources for the fiscal year ended June 30, 2008 ("FY 2008"), totaled \$656,146,900, an increase of \$25,975,046, or 4.12%, from the preceding fiscal year. This included \$648,390,325 of General Fund Revenues and \$7,757,575 of transfers in from other funds. The increase in General Fund Revenue and Other Financing Sources is primarily attributable to increases in City taxes and intergovernmental revenue. Revenue from real estate tax collections increased by \$8,568,063 from \$ 211,744,174 to \$220,312,237 due to an increase in taxable real estate values and collection percentage partially offset by a reduction in the tax rate from \$1.23 to \$1.20 per \$100 of assessed value. Other major tax revenues generating higher revenues in FY 2008 included Local Option Sales taxes which increased \$255,394, Personal Property taxes which increased \$2,586,322, and Prepared Foods (Meals) taxes which increased \$922,533 during the year. Delinquent tax collections increased by \$7,769,689 over the prior period, through enhanced collection processes. Intergovernmental revenue (primarily transfers in from the Commonwealth of Virginia) increased by \$621,503 over prior year revenue and is attributable primarily to additional state funding to support Social Services and state support for the City's jail operations. The significant increase in transfers in from other funds is largely due to approximately \$9.9 million of operating grants received for General Government, Public Safety and Human Services.

Total FY 2008 Expenditures and Other Financing Uses for the fiscal year totaled \$655,002,287, a 4.2% increase over the prior fiscal year, and included \$582,612,818 of General Fund expenditures, \$56,653,684 for General Fund supported debt service payments, and \$15,735,785 of transfers to other funds. The General Fund contribution to Schools was \$158,858,678, a decrease of \$1,068,635 from the prior year. Public Safety spending decreased primarily due to the transfer of the Juvenile Justice Department from the Public Safety to the Human Services category. General Government spending increased by \$2,911,394 due to increased spending for Community Development and the Department of Information Technology to upgrade systems. Non-Departmental spending increased by \$10,108,630 primarily due to increased payments to Other Governmental Agencies and increased tax relief for the elderly. General Fund supported debt service reflected a modest increase of \$1,592,534 over the prior year.



FINANCIAL INFORMATION

The Undesignated Fund Balance increased from \$47,507,088 to \$47,638,753 as of June 30, 2008. The fiscal year-end Undesignated Fund Balance was 7.27% of total FY 2008 expenditures and transfers.

The following is a summary of financial results of the City's General Fund for the fiscal years ended June 30, 2008 and June 30, 2007.

Statement of General Fund Revenues, Expenditures, Other Financing Sources, and Uses For the Fiscal Years ended June 30, 2008 and June 30, 2007 (in thousands)

	June 30, 2008	% of Total	June 30, 2007	Increase (Decrease) from Prior Year	% Increase (Decrease) from Prior Year
Revenues:					
City Taxes	\$435,695	66.4%	\$409,441	\$26,254	6.41%
Licenses, Permits, and Privilege Fees	35,514	5.4%	37,544	(2,030)	(5.41)%
Intergovernmental Revenues	119,954	18.3%	119,333	621	0.52%
Service Charge	21,761	3.3%	21,119	642	3.04%
Fines and Forfeitures	10,706	1.6%	11,023	(317)	(2.88)%
Payment in Lieu of Taxes	19,357	2.95%	18,635	722	3.87%
Miscellaneous Revenues	5,402	0.8%	7,372	(1,971)	(26.74)%
Operating Transfers In & Other Financing Sources	7,758	1.2%	5,704	2,053	35.99%
Total	656,147	100.0%	630,172	25,975	4.12%
Expenditures:					
General Government	62,799	9.6%	59,888	2,911	4.86%
Public Safety and Judiciary	156,028	23.8%	161,030	(5,002)	(3.11)%
Highways, Streets, Sanitation, and Refuse	60,230	9.2%	61,471	(1,241)	(2.02)%
Human Services	72,559	11.1%	68,204	4,355	6.39%
Culture and Recreation	20,864	3.2%	20,042	821	4.10%
Education	158,859	24.3%	159,927	(1,069)	(0.67)%
Non-departmental	51,273	7.8%	41,165	10,108	24.55%
Total Expenditures	582,613	89.9%	571,728	10,885	1.90%
Transfers:					
Debt Service	56,654	8.6%	55,061	1,593	2.89%
All Other	15,735	2.5%	1,568	14,167	903.51%
Total Transfers	72,389	11.1%	56,629	15,760	27.83%
Total	\$655,002	100.0%	\$628,357	\$26,645	4.24%



FINANCIAL INFORMATION

Comparative Summary of General Fund Expenditures and Other Financing Sources and Uses (in thousands)

Revenues	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
City Taxes	\$306,292	\$317,204	\$334,499	\$350,406	\$409,441	\$435,695
Licenses, Permits, and Privilege Fees	33,259	31,821	35,303	37,276	37,544	35,514
Intergovernmental	107,443	110,466	113,861	117,184	119,333	119,954
Service Charges	17,925	14,933	16,344	20,421	21,119	21,761
Fines and Forfeitures	7,774	8,560	10,327	11,429	11,023	10,706
Payment in Lieu of Taxes	17,518	18,102	19,631	18,898	18,635	19,357
Miscellaneous	5,718	5,846	5,672	6,999	7,372	5,402
Sub-Total	495,930	506,933	535,638	562,674	624,468	648,390
Other Financing Sources:						
Proceeds of Notes Payable	2,716	3,344	2,000	--	2,000	--
Transfers In-Other Funds	1,819	5,088	5,317	3,520	3,704	7,758
Disaster Recovery ¹	--	12,755	(1,734)	(170)		
Total	500,465	528,120	541,221	566,024	630,172	656,147
Expenditures						
General Government	48,127	50,241	52,674	54,389	59,888	62,799
Public Safety and Judiciary	127,096	133,797	139,794	145,363	161,030	156,028
Highways, Streets, Sanitation, and Refuse	45,549	43,393	53,756	57,282	61,471	60,230
Human Services	64,106	61,343	65,028	64,045	68,204	72,559
Culture and Recreation	20,716	22,141	18,050	18,181	20,042	20,864
Education	128,824	131,762	129,042	142,304	159,927	158,859
Non-departmental	23,462	25,153	26,226	33,373	41,165	51,273
Sub-Total	457,880	467,830	484,570	514,888	571,728	582,613
Other Financing Uses:						
Transfers Out-Debt Service ¹	33,882	37,565	40,858	46,266	55,061	56,654
Transfers Out-Other Funds	6,064	8,037	10,139	10,779	1,568	15,735
Disaster Costs ²	--	14,729	--	--	--	--
Total	497,826	528,161	535,567	571,933	628,357	655,002
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	2,639	(41)	5,654	(5,909)	1,815	1,146
Fund Balance						
Fund Balance-July 1	59,243	61,882	61,841	67,495	61,587	63,402
Residual Equity Transfer In						
Residual Equity Transfer Out						
Fund Balance-June 30	61,882	61,841	67,495	61,587	63,402	64,547
Reserved - Fund Balance	21,329	14,150	22,217	16,144	15,895	16,909
Unreserved-Designated Fund Balance	1,500	8,638	6,218	2,950		
Unreserved-Undesignated Fund Balance	39,053	39,053	39,060	42,492	47,507	47,638
Total Fund Balance	\$ 61,882	\$ 61,841	\$ 67,495	\$ 61,587	\$ 63,401	\$ 64,547
Undesignated Fund Balance as a % of General Fund Expenditures	7.8%	7.4%	7.3%	7.4%	7.6%	7.3%
Debt Service as a % of General Fund Expenditures ¹	6.8%	7.1%	7.6%	8.1%	8.8%	8.6%

Source: Department of Finance

¹Includes legal & other costs of issuance.

²Represents costs and recoveries associated with Hurricane Isabel and Tropical Storm Gaston.

FINANCIAL INFORMATION



General Fund Budget for Fiscal Years 2007 through 2010

Revenues

As shown in the table below, total General Fund Revenues in the fiscal year ended June 30, 2010 ("FY 2010"), budget are projected to decrease \$25,333,373 (3.9%) from the FY 2009 budget, due to the impact of the slowing local economy. The decline in budgeted revenues in FY2010 is largely due to an \$18,653,252 decline in projected total taxes collected. Real estate taxes, including Rehabilitation tax credits, are anticipated to drop from a budgeted \$222,923,373 in FY2009 to \$205,595,124 in FY2010 (7.8% decline), due to anticipated lower assessment values. Lower budgeted Personal Property Taxes (1.5% decline) and Local Option Sales taxes (2.5% decline) are also projected in the FY2010 budget. The challenging national economy is expected to have an adverse impact on business travel and entertainment, and thus FY 2010 Hotel Lodging tax collections are budgeted 12.0% lower in FY2010. Prepared Food (meals) taxes are budgeted to decrease modestly from the prior year budget.

Intergovernmental revenues, largely from the Commonwealth, are budgeted to decline by \$2,469,828 (2.0%) to \$120,614,716 in FY2010, due to reductions in Commonwealth provided funding as the Commonwealth economy has slowed. The largest area of decline in Commonwealth funding are in the area of Social Services transfer payments. A large portion of the budgeted intergovernmental revenues is attributable to formula-driven amounts in support of Commonwealth mandated services. The Charges for Goods and Services are budgeted to increase by \$1,051,051 in FY2010 as the City is implementing or increasing a number of fees, including those charged for refuse collection, dumping fees, and various inspection fees involving construction.

	Adopted FY 2007 Budget	Adopted FY 2008 Budget	Adopted FY 2009 Budget	Adopted FY 2010 Budget
Taxes	\$396,905,760	\$416,442,764	\$427,644,369	\$408,991,117
License, Permits, & Fees	35,396,467	34,667,650	37,581,100	36,851,317
Intergovernmental	119,349,938	124,415,554	123,084,544	120,614,716
Fines & Forfeits	11,589,445	11,394,500	11,226,700	9,297,296
Payments to General Fund	21,691,342	21,355,237	22,283,942	23,317,280
Other Utility Payments	6,405,355	6,862,449	6,590,264	6,932,814
Charges for Goods & Services	19,902,678	20,975,480	22,023,130	23,074,181
Miscellaneous	562,331	483,337	521,237	384,242
Other Financing Sources	5,838,404	2,625,000	4,366,050	525,000
Total	\$617,641,720	\$639,221,960	\$655,321,336	\$629,987,963
Increase (Decrease) from Prior Year		\$ 21,580,240	\$ 16,099,376	\$ (25,333,373)

Source: Adopted Biennial Fiscal Plan

Expenditures

Overall expenditures are budgeted to be \$629,987,963 in FY 2010, which is a 3.9% reduction from the prior year. In FY 2010, there are across the board budgeted cuts in expenditures including the areas of Public Safety & Judiciary (3.3%), Human Services (3.6%), Public Schools (3.8%), Non-Departmental (17.3%) and Debt Service (1.5%). During the prior fiscal year, as shown in the table below, budgeted FY 2009 expenditures for the Department of General Services in the amount of \$14,499,455 have been transferred from Public Works to the General Government category. In addition to this change, the General Government category includes increases for the Departments of Community Development (\$1,439,667), Finance (\$749,172) and Information Technology (\$1,133,401). The largest increase in the FY 2009 budget includes \$10,669,806 for Public Safety and Judiciary, which is due primarily to increases in the Police Department Budget (\$5,386,050), the Fire Department Budget (\$3,061,531) and the Sheriff and Jail Budget (\$946,083). The Police and Fire budgets include increases linked to the significant increase in the cost of fuel. The Sheriff and Jail budget contains more funding for inmate medical care and pharmaceuticals. The FY 2009 budget reflects a growth of expenditures of \$16,099,376 or an increase of 2.52% over the FY 2008 budget.



FINANCIAL INFORMATION

	Adopted FY 2007 Budget	Adopted FY 2008 Budget	Adopted FY 2009 Budget	Adopted FY 2010 Budget
General Government *	\$ 54,606,439	\$ 58,942,496	\$ 76,236,205	\$ 76,250,588
Public Safety & Judiciary	150,612,549	157,704,463	167,699,749	162,117,080
Public Works *	57,820,791	59,953,475	46,090,500	45,861,811
Human Services	70,442,202	73,702,193	76,126,438	73,369,410
Culture and Recreation	19,351,044	19,982,476	20,780,290	19,806,702
Public Schools	161,295,463	159,997,133	159,211,576	153,240,272
Debt Service	60,389,581	58,801,268	57,351,667	56,501,361
Non-Departmental	43,123,651	50,138,455	51,824,911	42,840,739
Total	617,641,720	639,221,960	655,321,336	629,987,963
Increase from Prior Year		\$ 21,580,240	\$ 16,099,376	\$ (25,333,373)

* In FY 2009, the Department of General Services budget of \$14,662,125 is included in General Government Category rather than the Public Works category above.

Source: City of Richmond – Budget Department

Revenues of the City

Assessment Based Taxes

Real Estate Tax. Real estate taxes are the largest source of City revenues. The City Assessor of Real Estate is required by state law to assess real property annually on January 1 at 100% of fair market value. The FY 2008 receipts were based on a tax rate of \$1.20 per \$100 assessed value. Taxes must be paid annually by June 15. Real Estate taxes not paid by June 15 incur a 10% penalty and interest accrues at a rate of 10% per annum.

Personal Property Tax. Taxes are levied on all tangible personal property, including automobiles, mobile homes, business equipment and pleasure boats. The tax is due and must be paid annually by May 1. Taxes not paid by May 1 incur a 10% penalty and interest accrues at a rate of 10% per annum. Tangible personal property is taxed at a rate of \$3.70 per \$100 of assessed value.

Machinery and Tools Tax. Taxes are levied on all machinery used in the manufacturing process. The tax is due and must be paid annually by May 1. Taxes not paid by May 1 incur a 10% penalty and interest accrues at a rate of 10% per annum. Machinery and tools are taxed at a rate of \$2.30 per \$100 of assessed value.

Sales Taxes

State Shared Sales Tax. Of the Commonwealth's 4.0% sales and use tax, a portion is distributed to localities based on school age population. The school age population census is taken every three years, with the most recent one having been completed in the fiscal year ended June 30, 2006 ("FY 2006"). The Commonwealth receives the tax from merchants and remits the City's portion at the end of each month.

Local Sales Tax. The City imposes an additional 1% sales tax. The Commonwealth receives the tax from merchants and remits the City's portion at the end of each month.

Other Taxes

Utility Taxes. The City levies a tax upon each purchaser of gas service, metered electric service and local telephone service. Taxes collected by the utility are remitted to the City by the 15th of the next calendar month. The United States government, the Commonwealth and its political subdivisions, boards, commissions and authorities are exempt from this tax.

Additional Taxes. The City also imposes various taxes on prepared foods, lodging, bank stock values and admission fees to entertainment and sporting events.

FINANCIAL INFORMATION



Other Revenues

Locally Generated Non-Tax Revenues. These include fees on licenses of businesses and professionals (the largest component), service charges, fines and forfeitures.

Revenue from Other Governments. Approximately 19% of the City's revenues historically have been derived from federal and state governments. These funds support such operations as social services, public health and the city jail.

Property Tax Levies

Approximately 65% of General Fund revenue is derived from general taxes, with the largest components being real estate, personal property and machinery and tools taxes. The following tables show historical levies and collections as well as assessed value for these major tax sources.

Real Estate Tax Levies and Collections for Calendar Years 1999-2008¹

Tax Year	Tax Rate	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections ²	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	1.430	132,833,908	128,308,498	96.6	1,451,563	129,760,061	97.7
2000	1.430	136,171,412	131,041,226	96.2	7,940,112	138,981,338	102.1
2001	1.410	147,235,718	139,820,593	95.0	4,336,433	144,157,026	97.9
2002	1.389	162,359,912	153,719,867	94.7	5,221,188	158,941,055	97.9
2003	1.380	175,100,400	165,330,253	94.4	9,498,935	174,829,188	99.8
2004	1.380	184,806,582	179,024,489	96.9	7,715,852	186,740,341	101.0
2005	1.330	201,274,826	191,839,265	95.3	7,619,922	199,459,187	99.1
2006	1.290	214,819,901	206,416,778	96.1	6,901,572	213,318,350	99.3
2007	1.230	224,815,976	218,210,831	97.1	5,696,407	223,907,238	99.6
2008	1.200	233,179,816	221,199,403	94.9	15,227,545	236,426,948	101.4

¹ As of August 31.

² This represents delinquent taxes collected within the reporting period.

Source: Department of Finance

Personal Property Tax Levies and Collections for Calendar Years 1999-2008¹

Tax Year	Tax Rate	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections ²	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	3.70	43,204,634	39,211,559	90.8	3,577,421	42,788,980	99.0
2000	3.70	48,336,851	43,201,233	89.4	4,865,852	48,067,085	99.4
2001	3.70	50,255,928	42,719,428	85.0	5,835,595	48,555,023	96.6
2002	3.70	48,353,865	42,133,029	87.1	5,068,925	47,201,954	97.6
2003	3.70	46,689,746	41,662,589	89.2	3,864,364	45,526,953	97.5
2004	3.70	46,468,895	42,080,193	90.6	3,297,269	45,377,462	97.7
2005	3.70	48,443,250	43,739,697	90.3	4,868,959	48,608,656	100.3
2006	3.70	50,187,847	43,230,723	86.1	4,328,616	47,559,339	94.8
2007	3.70	52,721,272	44,112,841	83.7	5,826,972	49,939,813	94.7
2008	3.70	53,094,279	44,845,028	84.5	2,687,649	47,532,677	89.5

¹ As of August 31. Personal Property Taxes are due May 1 annually. Uncollected personal property taxes are carried as an asset in the City's financial statements for five years. At the end of that period, uncollected amounts are unenforceable and are charged off.

² This represents delinquent taxes collected within the reporting period.

Source: Department of Finance



FINANCIAL INFORMATION

Assessed Valuations of Property Located in the City for Calendar Years 1999-2009

Calendar Year	Real ¹	Personal ²	Machinery	Total
1999	9,240,351,691	1,360,589,993	809,994,254	11,410,935,938
2000	9,518,353,167	1,457,324,132	829,049,430	11,804,726,729
2001	10,280,051,773	1,478,905,318	821,122,856	12,580,079,947
2002	11,179,941,738	1,507,088,801	790,901,800	13,477,932,339
2003	11,966,770,076	1,393,327,487	678,581,056	14,038,678,619
2004	13,258,457,394	1,172,806,822	631,645,652	15,062,909,868
2005	15,079,233,351	1,330,154,149	670,556,827	17,079,944,327
2006	16,652,705,520	1,522,890,436	637,469,276	18,813,065,232
2007	19,042,522,454	1,418,934,404	647,387,014	21,108,843,872
2008	20,334,409,035	1,468,366,859	627,888,746	22,702,174,240
2009	21,099,029,043	1,387,622,846	625,752,634	23,112,404,523

¹ Values for each fiscal year were determined as of January 1 of each year.

² Taxable personal property is predominately automobiles, trucks, boats and business furniture and fixtures.

Source: City Assessor for Real Estate and Department of Finance

Pension Funds

The City maintains a noncontributory pension plan, the Richmond Retirement System ("RRS"), for all City employees. Each year the City contributes an amount equal to the sum of the current liability and a portion of the unfunded liability. RRS is financed through contributions made by the City as well as earned income from RRS investments. Contribution rates are computed on the basis of an annual actuarial study. As of June 30, 2008, the RRS was funded at 71.17% with an unfunded accrued actuarial liability of \$214,263,833. The City's Pension Trust Funds' investment portfolio includes corporate bonds and notes, common stocks, international bonds, notes and stocks.

The number of vested and retired employees of RRS as of June 30, 2008, is as follows:

Classification	Vested	Non-Vested	Retired	Vested Termination	Total
Municipal employees	3,638	642	3,921	1,810	10,011

The RRS' assets in FY 2008 were diversified well throughout multiple asset classes that resulted in a slight decline of negative 3.8 percent for fiscal year end (gross returns), outperforming its total fund benchmark (negative 4.5 percent) by 70 basis points. This performance result, despite the weak investing climate, can be attributed to careful oversight, prudent fund management, and fund diversity. In dollars, the RRS' Net Asset Value on June 30, 2008 ended down \$47.9 million from the fiscal year ended June 30, 2007 (the "FY 2007") balance at \$511.6 million.

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

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

FINANCIAL INFORMATION



Insurance and Risk Management

The City has an active risk management program with a staff of three professionals providing safety and loss control, claims administration, risk management financing and consulting services to all City agencies. The City manages risk through a combination of commercial insurance, self-insurance and association programs. The self-insurance program is operated as an internal service fund and provides worker's compensation and third party liability coverage. The City purchases excess liability limits of \$10,000,000 in excess of \$1,000,000 Self Insured Retention ("SIR") and excess workers' compensation in statutory limits over a \$750,000 SIR. Additional excess limits up to \$135,000,000 are purchased for the gas utility. Changes in the self-insurance reserves for the fiscal years 1999 through 2008 are set forth in the chart below:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims and Premium Payments	Balance at Fiscal Year-End
1999	\$15,200,278	\$6,211,782	\$ 5,065,386	\$16,346,674
2000	16,346,674	6,335,509	5,437,414	17,244,769
2001	17,244,769	5,044,035	4,264,167	18,024,637
2002	18,024,637	7,109,798	3,943,340	21,191,095
2003	21,191,095	416,980	1,926,015	19,682,060
2004	19,682,060	8,089,342	5,798,608	21,972,794
2005	21,972,794	7,650,827	5,788,059	23,835,562
2006	23,835,562	6,999,497	5,385,249	25,449,810
2007	25,449,810	5,518,878	4,805,143	26,163,545
2008	26,163,545	6,729,066	4,427,456	28,465,153

Source: City Department of Finance - Bureau of Risk Management



DEBT MANAGEMENT

Debt Policy

In 1982, the City adopted a debt policy. The policy has become an integral part of the City's capital budgeting process. As a part of the annual budget process, the City projects its future outstanding debt, debt capacity and uses these numbers to calculate debt ratios. The policy states:

- 1) The amount of General Fund supported debt service will not exceed 10% of total General Fund budgeted revenues.
- 2) Per capita General Fund supported debt will not exceed 7% of per capita income.
- 3) Total outstanding general obligation debt will not exceed 7.5% of total taxable real estate value.
- 4) General Fund supported debt will not exceed the useful life of the project to be funded, with a maximum maturity of 30 years.
- 5) General Fund supported debt will be structured in a manner such that not less than 60% of the outstanding debt will be retired within 10 years.

No Overlapping Debt

The City is a separate and distinct political unit and is autonomous and independent of any county or any other political subdivision of the Commonwealth. The City is not coterminous with or subject to, any county or school district taxation and is not liable for any indebtedness other than its own.

Legal Debt Margin

Article VII, Section 10 of the Constitution of Virginia provides that the legal debt limit for cities is ten (10) percent of the last preceding assessment for real estate taxes.

The City's legal debt margin is computed as follows:

10% of Assessed Value of Taxable Real Estate as of January 1, 2009 ¹	\$2,109,902,904
Less: Bonds and Notes Payable ^{2,3}	<u>605,137,771</u>
Legal Margin for Creating Additional Debt	\$1,504,765,133

¹ Source: City Assessor for Real Estate

² Does not include \$551,289,641 of City of Richmond Public Utility Revenue Bonds, \$14,760,000 of Certificates of Participation and \$10,377,099 of Lease Revenue Bonds that by State law are not required to be included in calculations for legal margin for creation of additional debt

³ As of June 30, 2009

Short-Term Debt

To finance current operations, the City annually issues notes in anticipation of the receipt of personal property and real estate taxes which are due and payable on May 1 and June 15, respectively, of each fiscal year. The City has issued revenue anticipation notes in amounts ranging between \$45.0 million and \$75.0 million with maturities of less than one year in each of the last ten fiscal years. The City currently has no other outstanding short-term debt.

Long-Term Debt

Bonds of the City, including general obligation bonds, serial equipment notes and certain public utility bonds, and commercial paper notes are direct general obligations, for the payment of which the full faith and credit of the City are pledged. The Council is authorized and required, unless other funds are lawfully available and appropriated for timely payment, to levy and collect on all property taxable by the City such ad valorem taxes as may be necessary to pay when due the principal of, premium, if any, and interest on such bonds and notes as the same shall become due and payable. The City has never defaulted in the payment of principal, premium, or interest on any debt.

DEBT MANAGEMENT



Enterprise Funds and Internal Service Funds pay from user fees the principal of and interest on certain general obligations bonds, revenue bonds and serial equipment notes issued for the program purposes of each fund. All other monies for the principal of and interest on such debt are appropriated in the General Fund budget. No long-term bonds are sold to finance current operations.

Authorized but Unissued Bonds and Notes

As of June 30, 2009, the City had a total authorization of \$330,440,000 for general obligation bonds or revenue bonds, including \$137,725,000 to be issued as revenue bonds to finance self-supporting public utility projects, \$192,715,000 to be issued as General Fund supported general obligation bonds and \$150,000,000 of general obligation bonds to repay a like amount of bond anticipation notes. The City also had authorization of \$19,000,000 for general obligation bonds or five year notes to finance the purchase of equipment and vehicles.

Debt Statement

The following tables provide summaries and comparative statements of general obligation debt of the City, excluding general obligation self-supporting public utility debt.

Percentage of Tax Supported Bonded Debt to Assessed Values of Real Estate And Tax Supported Bonded Debt Per Capita for Fiscal Years 2000-2009

Fiscal Year	Population	Assessed Value	Tax Supported Bonded Debt	Debt As % of Assessed Value	Debt Per Capita
2000	*197,790	9,518,353,167	380,556,417	4.00	1,924
2001	198,204	10,280,051,770	368,029,833	3.58	1,856
2002	198,356	11,179,941,738	392,701,369	3.51	1,978
2003	197,924	11,966,770,076	400,596,129	3.35	2,022
2004	197,194	13,258,457,394	464,689,844	3.50	2,354
2005	197,586	15,079,233,351	441,607,372	2.93	2,232
2006	198,480	16,652,705,520	404,479,334	2.43	2,036
2007	199,991	19,042,522,454	412,662,029	2.17	2,062
2008	202,002	20,609,918,635	382,124,914	1.85	1,892
2009	N/A	21,099,029,043	407,428,677	1.93	N/A

* Source: U.S. Department of Commerce: U.S. Census Bureau, U.S. Census of Population. All other population figures are estimates of the U. S. Census Bureau – Population Estimates.



DEBT MANAGEMENT

Comparative Statement of Debt For Fiscal Years 2000-2009

Fiscal Year	Debt At Beginning Of Year	Debt Issued In Year	Debt Retired In Year	Debt at Fiscal Year End
2000	786,365,752	83,395,009	38,743,689	831,017,063
2001	831,017,063	172,030,000	153,042,798	850,004,265
2002	850,004,265	255,415,000	164,603,245	940,816,020
2003	940,816,020	147,475,000	138,208,209	950,082,811
2004	950,082,811	84,912,167	58,151,832	976,843,146
2005	976,843,146	76,191,671	46,834,551	1,006,200,266
2006	1,006,200,266	159,899,392	209,597,271	956,502,387
2007	956,502,387	372,897,729	281,347,604	1,048,052,512
2008	1,048,052,512	7,269,767	56,371,622	998,950,657
2009	998,950,657	210,277,611	52,800,858	1,156,427,410

Source: Department of Finance

Outstanding Bonds as of June 30, 2009

General Obligation Bonds & Notes (General Fund)	\$ 407,428,677
Self-Supporting General Obligation Bonds (Public Utility Bonds):	197,709,092
Public Utility Revenue Bonds	551,289,641
GROSS DIRECT BONDED DEBT	\$ 1,156,427,411
Less:	
Self-Supporting General Obligation Bonds	\$ 197,709,092
Public Utility Revenue Bonds	551,289,641
NET DIRECT DEBT	\$ 407,428,677

Percentage of Debt Service to Total General Fund Expenditures and Transfers for Fiscal Years 1998-2008

Fiscal Year	General Fund Expenditures and Transfers	General Fund* Supported Debt Service (Includes Schools)	Percentage of General Fund Debt Service to Total Expenditures and Transfers*
1998	\$ 429,713,847	\$26,911,503	6.26
1999	428,312,535	29,391,248	6.86
2000	451,550,625	34,974,526	7.75
2001	462,649,312	41,322,451	8.93
2002	485,228,846	38,849,441	8.01
2003	497,826,312	41,394,495	8.32
2004	528,160,668	46,713,171	8.84
2005	535,567,950	50,308,507	9.39
2006	571,567,113	55,914,801	9.78
2007	628,357,005	55,061,150	8.76
2008	655,002,287	56,653,684	8.65

*Includes interest expense on short-term debt, legal and issuance cost expenses.



Leases

The City and the Richmond Behavioral Health Authority ("RBHA") lease office space, business machines, clinics, apartments for residential programs and vehicles, primarily under operating lease agreements. Operating leases are generally for one-year terms and are subject to appropriation on an annual basis. Lease payments are expected to average \$2.6 million per year over the next five years.

The City, as lessee, has entered into a long-term lease ending August 1, 2022, with SunTrust Leasing Corporation under which the City is leasing certain emergency response property and equipment, consisting primarily of a public safety and public works 800 megahertz digital voice radio system and an associated emergency communications center. In connection with the lease, \$18,840,000 City of Richmond, Virginia Public Facility Certificates of Participation (Richmond 800 Megahertz Communications Facility Project) Series 2001A, dated June 1, 2001, were issued. The certificates evidence a direct and proportionate interest of the holders of the certificates in semi-annual rental payments to be made by the City under the lease. The City's obligation to make rental payments is subject to appropriations being made annually for such purpose by the Council. The City may prepay the rental payments at any time after August 1, 2011, without penalty and acquire the leased property and equipment. The average annual payment under the lease is approximately \$1.2 million.

On December 21, 2001, the City entered into a \$700,000 Equipment Lease Purchase Agreement with a local bank to finance a portion of the costs of upgrades and replacements to the heating, ventilation and air conditioning systems of the Landmark Theater. The Equipment Lease Purchase Agreement calls for the Landmark Enterprise Fund of the City to make 20 semi-annual fixed principal and interest payments of \$44,194 over a ten-year period. The transaction has a fixed interest rate of 4.63%. The lease payments are paid from projected energy and maintenance operating savings the City realizes from the installation of the new equipment. The City's obligation to make the payments is subject to appropriations being made annually for such purpose by the Council. At June 30, 2008, the remaining principal balance was \$321,992.

On November 14, 2003, the City entered into a \$1,670,000 Equipment Lease Purchase Agreement with a local bank to finance upgrades and replacements to the heating, ventilation and air conditioning systems of the Richmond Coliseum. The Equipment Lease Purchase Agreement calls for the Coliseum Enterprise Fund of the City to make 20 semi-annual fixed principal and interest payments of \$105,132.40 over a ten-year period beginning July 15, 2004. The transaction has a fixed interest rate of 4.37%. The lease payments are paid from projected energy and maintenance operating savings the City realizes from the installation of the new equipment. The City's obligation to make the payments is subject to appropriations being made annually for such purpose by the Council. At June 30, 2008, the remaining principal balance was \$1,096,938.

In March 2005 the Council authorized the creation of Advantage Richmond Corporation, a Virginia nonprofit corporation ("ARC"), for the purpose of assisting the City, when authorized by the Council, in acquiring, constructing, renovating, equipping, maintaining and operating public buildings and other public structures for or on behalf of the City and in providing financing for such activities. On October 26, 2005, ARC issued its \$12,100,000 Lease Revenue Bond (Marshall Plaza Project), Series 2005 to acquire an existing office building to be leased to the City to house the City's departments of Social Services and Public Health. The City had been leasing the same property for the same purposes from a third party. The lease between the City and ARC is for 15 years and corresponds to the 15-year term of the ARC bond issue. Rental payments by the City under the lease include amounts sufficient to pay annual debt service payments on the ARC bonds of approximately \$1,200,000, together with an additional \$1,200,000, subject to annual adjustment, to pay the expenses associated with operating and maintaining the property. The City's obligation to make the rental payments is subject to appropriations being made annually for such purpose by the Council. Upon retirement of bonds issued to acquire the property, ARC is required to transfer the property to the City at no additional cost to the City.



DEBT MANAGEMENT

Moral Obligations of the City

The City has provided its moral obligation to various financing arrangements in order to provide benefits to the citizens of the City. A moral obligation is a non-binding obligation of the City to consider making certain payments on obligations issued by third parties or to consider making up certain deficits related to such obligations from monies available in the City's General Fund.

The First Supplement to the Amended and Restated Old Manchester Cooperation Agreement between the City and the Richmond Redevelopment and Housing Authority ("RRHA"), dated October 11, 1993, provided for the revitalization of a section of the City known as the Old Manchester area. In particular, it provides for the relocation and construction of a new headquarters building for SunTrust Mortgage Corporation (formerly Crestar) on the north side of Semmes Avenue at the south end of the Manchester Bridge in the City. The building is owned by SunTrust and RRHA as tenants in common, with each party owning an undivided interest determined in accordance with its respective capital investment. The City agreed to provide funds to RRHA to enable it to carry out its obligations under this agreement. RRHA issued revenue bonds to fund the project. The revenue bonds are backed by the City's moral (but not legal) obligation to make payments of principal and interest. An annual appropriation is sought from the Council each year to pay principal and interest on the bonds.

Pursuant to the SunTrust/Old Manchester Development Area and Investment Agreement, dated June 18, 1995, among the City, RRHA and SunTrust Bank, SunTrust agreed to construct a 400,000 square foot building with 1,600 parking spaces at an estimated cost of \$40,400,000 in the Old Manchester Redevelopment Area adjoining the SunTrust Mortgage headquarters on Semmes Avenue in South Richmond, and to revitalize the Old Manchester area. To finance the cost of the equity participation, certain grants and other costs related to this office building, RRHA issued revenue bonds in an amount approximating \$32 million. As part of this financing, RRHA also purchased certain non-performing debt of the Valentine Museum which was held by SunTrust Bank in the approximate amount of \$9.0 million. Under the redevelopment agreements with RRHA, the City agreed to reimburse RRHA for costs of redeveloping the Old Manchester Redevelopment Area. Payments under these agreements include the debt service on RRHA debt, the payment of which is subject to appropriation by the Council. The City also has agreed to extend its moral obligation to the debt issued by RRHA. During the fiscal year ended June 30, 2008, the City reimbursed RRHA \$2,823,696 for principal and interest payments on this debt. The remaining principal balance is \$23,130,000.

The City and the Counties of Chesterfield, Hanover and Henrico organized the Greater Richmond Convention Center Authority (the "Authority") to facilitate the renovation and expansion of the Greater Richmond Convention Center (the "Convention Center") and to provide for the operation and management of the expanded facility. The City and the counties agreed, subject to funds being appropriated for such purpose, to pay their lodging tax receipts to the Authority to support the payment of debt service on the Authority's bonds issued to finance the Convention Center. The lodging tax is the tax paid by individuals who rent hotel or motel rooms. The Authority issued \$158,415,000 in revenue bonds in 2000 to fund construction of the Convention Center expansion. Portions of those bonds were refunded by the Authority in 2005 with its \$148,735,000 revenue bond issue.

The Council organized the Broad Street Community Development Authority (the "CDA") in July 2002 to assist the City in its efforts to revitalize the central business district by undertaking certain demolition, streetscaping and infrastructure improvements and acquiring and renovating certain parking facilities. To fund the projects, the CDA issued \$66,740,000 in revenue bonds (the "CDA Bonds") in May 2003, with a final principal maturity in 2033. In connection with the issuance of the CDA Bonds, the City entered into several agreements with the CDA pursuant to which the City is expected to make various payments to or for the benefit of the CDA, provided funds have been appropriated for such purpose by the Council. Pursuant to the terms of a Memorandum of Understanding dated as of May 15, 2003, by and among the City, the CDA and the CDA project developer (the "Memorandum of Understanding"), the City agreed to make payments, subject to annual appropriation by the Council, to restore any deficiency in the debt service reserve fund established for the CDA Bonds in the event the CDA Bond trustee is required to transfer moneys from the reserve fund to pay debt service on the CDA Bonds. The City's debt service reserve fund payment obligation to the CDA is limited to \$3,000,000 in the aggregate in each of the City's fiscal years while the CDA Bonds are outstanding. Prior to using any moneys in the debt service reserve

DEBT MANAGEMENT



fund, the CDA Bond trustee is required to use all other moneys available for debt service on the CDA Bonds in the funds created under the CDA Bond Indenture. The CDA has no taxing power. The CDA has agreed to repay the City for any debt service reserve payments it makes with interest at a rate equal to the true interest cost on the CDA Bonds. The CDA's obligation to repay the City is subject to certain conditions, including (i) that such repayment obligation is limited to surplus funds of the CDA and (ii) that the CDA is in compliance with all of its debt service coverage requirements under the CDA Bond Indenture. In the Memorandum of Understanding, the CDA agreed to provide the City the right to reserve up to 250 spaces on a daily basis in the CDA's parking facilities for special events for up to 20 days each calendar year. In consideration for the parking privilege, the City has agreed to pay to the CDA's Bond trustee \$250,000 annually beginning after the later of (i) the date the CDA streetscaping improvements are completed or (ii) 24 months after the date of issuance of the CDA Bonds. Pursuant to the terms of a Participation Agreement dated as of May 15, 2003 (the "Participation Agreement"), between the City and the CDA, the City has agreed to pay annually an amount equal to the greater of \$400,000 or \$1.00 multiplied by the number of tickets sold by the Richmond Coliseum during the then current fiscal year beginning after the later of (i) the date the CDA streetscaping improvements are completed or (ii) 24 months after the date of issuance of the CDA Bonds. On May 26, 2005, the CDA delivered a substantial completion certificate to the City regarding the streetscape improvements. Accordingly, in fiscal year 2006, the City made its first annual payments related to the parking privileges and Richmond Coliseum and has made such payments in each subsequent fiscal year.



CAPITAL IMPROVEMENT PLAN

Capital Improvement Plan

Concurrently with the adoption of the annual Operating Budget of the City, on or before May 31 of each year, the Council adopts a five-year Capital Improvement Plan (the "CIP") for the following fiscal year. The CIP is adopted in accordance with a Master Plan and is updated annually. The first year of the CIP constitutes the adopted Capital Projects Budget for that fiscal year. The remaining four years of the CIP serve as a planning guide for improvements to public facilities of the City.

The annual Capital Projects Budget is adopted by an appropriation ordinance and contains a companion bond authorization ordinance. The bond authorization ordinance sets the amount of bonds to be issued to fund the cost of the Capital Projects Budget. The Council can amend the Capital Projects Budget throughout the budget year pursuant to a Mayor's recommendation. The amount of general obligation or revenue bonds to be issued to fund the cost of the Capital Projects Budget set forth in the bond authorization ordinance may be subject to voter approval by referendum on the question of the validity of the bond authorization ordinance if petitions signed by 10% of the largest number of voters in any election in the past five years are filed within 30 days of publication of the notice of adoption of the bond authorization ordinance. Therefore, bonds are not issued and proceeds are not available for expenditure until the 31st day after publication of the notice of adoption of the bond authorization ordinance in a daily newspaper of general circulation in the City. The annual Capital Projects Budget of the City contains general purpose capital improvement projects, including school capital improvement building projects, and public utility capital improvement projects. General purpose capital improvement projects typically are funded with the proceeds of general obligation bonds.

Fiscal Years 2010-2014 Adopted Capital Improvement Plan (Excludes Public Utilities)

FUNDING SOURCES	2009-10 Budget	2010-11 Budget	2011-12 Budget	2012-13 Budget	2013-14 Budget	TOTAL 2010-2014
General Obligation Bonds	\$58,091,522	\$65,415,312	\$98,224,898	\$96,588,564	\$69,500,000	\$388,120,296
Other Revenue Sources	<u>9,428,656</u>	<u>1,056,000</u>	<u>1,152,000</u>	<u>1,085,000</u>	<u>1,088,000</u>	<u>13,809,656</u>
Total Available Funding	\$67,520,178	\$66,471,312	\$99,376,898	\$97,673,564	\$70,888,000	\$401,929,952
PROPOSED EXPENDITURE BY CATEGORY						
Schools Capital Projects	\$5,387,520	\$3,572,480	\$3,400,550	\$3,500,000	\$1,000,000	\$16,860,550
City Facilities	40,037,002	53,847,832	86,079,348	87,426,586	65,280,000	332,670,768
Infrastructure Construction and Maintenance	17,695,656	5,251,000	5,397,000	5,130,000	3,908,000	37,381,656
Economic Development	750,000	3,100,000	3,100,000	916,978	100,000	7,968,978
Neighborhood Development	<u>3,650,000</u>	<u>700,000</u>	<u>1,400,000</u>	<u>700,000</u>	<u>600,000</u>	<u>7,050,000</u>
Total Proposed City Expenditures	\$67,520,178	\$66,474,312	\$99,376,898	\$97,673,564	\$70,888,000	\$401,929,952

Source: Office of Budget and Strategic Planning

MAJOR CITY INITIATIVES



Local Economy

The City is the capital of Virginia and is centrally located in the state. The City's thriving and diverse economic base, consisting of manufacturing, retail, services, distribution, banking, and state government, creates a stable economic and business environment. Strategically located at the intersection of I-95 and I-64 and at the midpoint of the east coast, the City has many transportation advantages, including the Richmond International Airport (RIC) and the re-emergence of Main Street Station as the Multimodal Transportation Center for higher speed rail service. During FY 2008, RIC's new terminal was dedicated to include non-stop service to key markets including Orlando, New York City, Chicago, and Toronto, enabling passenger traffic to surpass 2007's record-setting numbers by 4.6 percent.

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

Despite this, a generally positive local economic development climate continues to exist in the City. At the end of FY 2008, the office vacancy rate in the central business district (CBD) was 6.8 percent for Class A, and the overall vacancy rate was 10.9 percent. These rates illustrate that companies continued to shift to operations in Class C and Class B space. However, these office vacancy rates do not fully reflect the impact of the Wachovia Securities headquarters move to St. Louis, which was announced in 2007. Once this space is totally vacated and subleased, the vacancy rate for the CBD will be further impacted. The retail occupancy rate in the CBD was 3.1 percent and the industrial vacancy rate was 5.0 percent at the end of June 2008. The strength in the real estate markets convinced the monthly business magazine *Expansion Management* to select the City as one of the nation's "top 20 real estate markets" in October 2007. The combination of market activity and the City's competitive advantages enabled Dow Jones' *MarketWatch* to select the City as the "third best metro center for business."

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

Projects which have opened in 2009 include the Bow Tie Movie Cinemas on the Boulevard and the 240-room Hilton Garden Inn in the renovated Miller & Rhoads building. Nearing completion are the MeadWestvaco corporate headquarters, and Armada Hoffer's Richmond Tower, which will serve as the headquarters for the Williams Mullen law firm. In a challenging development climate across the entire country, these types of investments are a positive endorsement of the strength of our local economy.

The Greater Richmond area's civilian work force increased in FY 2008 by 2.1 percent, or 13,716 individuals. The area now boasts a work force of approximately 660,000. The annualized unemployment rate of 5.0 percent was favorable in comparison to the national rate of 5.8 percent.

The City continues to support an environment that encourages economic diversity and fosters an atmosphere where businesses can grow and prosper. The City's objective is to maintain this trend while continuing to make investments in capital improvements, which will help sustain the City's strong economic condition and positive outlook.



MAJOR CITY INITIATIVES

Major Initiatives

The City provides a full range of services including police, fire, cultural, recreational, park facilities, public works, refuse collection and human services. The City's public utilities provide natural gas, water, sewer and streetlighting services. To better target spending in an effort to achieve strategic goals, Council and the administration have adopted several key priorities around which budgetary, policy and administrative decisions are made. The initiatives include youth and family success, public safety, neighborhood preservation and beautification, transportation and economic development. A discussion of major service initiatives, along with a number of ongoing reforms being undertaken by the Chief Financial Officer, follows.

A large number of City capital projects are already underway and are being directed towards areas that will have the broadest benefit for the majority of the City's citizens. These areas include \$52 million of capital spending for new and improved streets, sidewalks, curbs and gutters that had been neglected for years; \$20 million for major improvements to the City's parks, community centers and playgrounds; almost \$9 million to upgrade City library buildings so that they can provide state-of-the-art computers; \$4 million for capital renovations of The Landmark Theater; and \$25 million in funding for the Carpenter Center, a public/private partnership to house the City's new Downtown performing arts complex which recently opened in September 2009.

Economic Vitality

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

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

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

In May of 2003, The Broad Street Community Development Authority (CDA) provided the public sector overhaul of the area surrounding the City's new 680,000 square foot, \$167 million Convention Center. The project focused on beautiful streetscapes, utility improvements and the sense of unity and grandeur that Broad Street deserves. The project has inspired ancillary development including the renovation of the former Miller and Rhoads department store into a \$100 million mixed-use development of hotel, retail and commercial space and residential condominiums. The 250-room Hilton Garden Inn opened for business in March 2009.



MAJOR CITY INITIATIVES

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

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

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

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

To further encourage economic development, by the action of Council, the City began a substantially expanded Tax Abatement for the Rehabilitative Structures Program in the fiscal year ended June 30, 1996. This program focuses on retention of existing businesses and attraction of new businesses, but also seeks to create an environment to encourage new investment, job creation, and the growth of the City's existing tax base. Originally established as a five-year program, it has been extended for an additional five years due to its success. The program provides real estate tax abatements for up to seven years for owners of commercial/industrial properties, and up to ten years of abatement for residential or Enterprise Zone properties. During 2008 alone, 1,043 properties qualified for the tax abatement program.

In summary, despite the slowing economy, the City's economic activity for FY 2009 was positive. However, with continued stress on the national economy, the City may face some financial challenges and a slower pace in development activity in upcoming months. At this point, the City's commercial corridors and districts are being revitalized with residents, restaurants and retail. The City continues to be at the forefront of the "new urbanism" trend with citywide mixed-use development and a quality of life unique to the region that is rich with history, culture, diversity, skyline views, architectural interest, and new opportunities to embrace and live along the river that runs through her.



MAJOR CITY INITIATIVES

Public Safety

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

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

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

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

RichmondWorks Initiative

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

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

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



MAJOR CITY INITIATIVES

Human Services Initiatives

2020 Vision

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

Early Childhood Development

Richmond's Early Childhood Development Initiative, launched in January 2007, teams with community partners on a five-point strategy to ensure Richmond children ages birth to five are healthy, well cared for and ready to succeed in school. A website provides information on early childhood development and services for families with young children. Parenting and caregiver workshops and training are offered in English and Spanish, with over 1,300 individuals voluntarily participating in FY 2008.

Healthy Start and Healthy Families

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

Child Welfare Reform

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

Senior Well Being & Special Needs

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

Vacant and Abandoned Property Cleanup

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

Once a vacant property is identified, inspections are scheduled on a 45-day cycle for monitoring. Inspectors cite violations and work to achieve total compliance in an effort to revitalize neighborhoods. Steps are taken by the City to secure open structures and to abate environmental issues on those



MAJOR CITY INITIATIVES

properties for which the owners cannot be located. In addition, the increased awareness of vacant structures has resulted in the demolition of over 20 unsafe buildings and the initiation of Spot Blight actions on numerous properties.

Neighborhood Focus/Infrastructure

Neighborhoods in Bloom

The City's Neighborhoods in Bloom program is a focused and aggressive neighborhood investment partnership to restore and beautify neighborhoods. This plan pools federal, City, and other funds in six targeted City neighborhoods. The goals of this program are to restore all blighted, vacant structures to productive use, to ensure that all occupied housing units meet the housing maintenance code, and to ensure that all neighborhood infrastructures meet acceptable standards. As a result of this investment, the City will benefit from a better image, improvements in public safety, a restoration in pride, investment in neighborhoods, an increase in home ownership, and an increase in revenue by returning structures to productive use.

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

Battery Park Reconstruction

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

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

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

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

EDUCATION



Richmond Public School System

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

The City's public school system predates the Commonwealth's system by 18 months. The first full system was established and supported by the Council in 1869-70. The Commonwealth's system was established by law on July 11, 1870, and the City's public school system was incorporated into the Commonwealth's system in April 1871.

The City operates a school system consisting of 31 elementary schools (Grades PK-5), ten middle schools (Grades 6-8), eight high schools (Grades 9-12), three vocational and technical schools and several alternative programs and special educational facilities. The table below sets forth the school system enrollment for fiscal years 1995-2008.

School System Enrollment

Fiscal Year	Elementary	Middle	High	Ungraded/Special*	Total
1995-96	14,498	5,657	5,688	2,678	28,521
1996-97	14,505	5,534	5,995	2,755	28,789
1997-98	14,605	5,427	5,920	2,663	28,615
1998-99	14,419	5,395	5,844	2,835	28,493
1999-00	14,391	5,202	5,656	2,083	27,332
2000-01	14,951	5,836	6,412	38	27,237
2001-02	14,364	5,956	6,503	17	26,840
2002-03	13,905	5,933	6,288	10	26,136
2003-04	13,156	5,852	6,404	133	25,545
2004-05	12,909	5,836	6,309	0	25,054
2005-06	12,414	5,261	6,551	21	24,247
2006-07	12,421	4,884	6,449	17	23,771
2007-08	12,322	4,619	6,236	25	23,202

*Beginning in 2000-01 the School System changed its method of reporting for ungraded/special. The students are now reported primarily by grade level.

Source: Virginia Department of Education – September 30 Enrollment

The changes in population composition of the City and its school enrollment have increased costs for the operation of the school system. The high ratio of disadvantaged students in the City mandates that remedial and compensatory programs, although expensive, be maintained. The per-pupil cost of education for the City's public school system is presented in the following table.



EDUCATION

Cost of Education Per Pupil For School Years Ending 1997-2006

School Year	Total Pupils	Total Cost	Cost Per Pupil
1996-97	28,789	\$188,109,272	\$6,534
1997-98	28,615	189,395,194	6,618
1998-99	28,493	203,051,630	7,126
1999-00	27,332	208,242,259	7,619
2000-01	27,237	206,939,908	7,598
2001-02	26,840	212,648,689	7,923
2002-03	26,136	217,196,438	8,310
2003-04	25,545	218,154,409	8,540
2004-05	25,054	239,431,121	9,557
2005-06	24,247	240,770,810	9,929

Source: Department of Budget Planning, Richmond City Schools

Higher Education

There are six institutions of higher learning in the City offering widely diversified courses in all fields of education. The largest institution is the Commonwealth-assisted Virginia Commonwealth University and its medical sciences division, the Virginia Commonwealth University Health Systems. Private schools include the University of Richmond and Virginia Union University. Also, Union Theological Seminary and the Presbyterian School of Christian Education provide graduate church-related programs.

J. Sargeant Reynolds Community College, which is part of the Commonwealth's Community College System, has three campuses - one located in the City, the second in Henrico County and the third in Goochland County.

For additional information on other governmental organizations and their relationship to the City, refer to the City's annual financial statements.



UTILITY SYSTEM

The Department of Public Utilities

The Department of Public Utilities (the "Department") is a municipally owned gas, water, wastewater and electric utility operation. Each utility is operated on a self-sustaining basis and follows the policies and directives of the City as provided in its Charter.

Gas Utility

The City provides gas service to Richmond, all of Henrico County and the northern part of Chesterfield County, as well as to parts of Hanover County. The City currently owns 1,818 miles of gas distribution lines in the City and the Counties of Chesterfield, Henrico and Hanover (the "Counties"). During the last two years, over 41 miles of new lines have been constructed in the City and Henrico County.

The gas utility functions as a municipally owned local distribution company whose rates are not subject to regulation by the State Corporation Commission. The system has experienced significant growth in recent years as new construction has increased in the western part of Henrico County.

Water Utility

The City provides Henrico County with water under a 45 year contract that expires on July 1, 2040. The contract will continue in force after July 1, 2040, unless it is replaced by a new contract or is canceled by either party. Under the contract, the City provides Henrico County with up to 35 MGD peak day draw.

The City provides Chesterfield County with water under a 50-year contract that expires on July 1, 2045. The contract will continue in force after July 1, 2045, unless it is replaced by a new contract or is canceled by either party. Under the contract, the City provides Chesterfield County with up to 27-MGD peak day draw.

In 1994, the City entered into a 40-year water contract with Hanover County which gave the County the right to receive 5 MGD at signing and to receive an additional 5 MGD each in 1999, 2004 and 2009 for a total of 20 MGD peak day draw.

Gas and Water Utility Customers

The following table sets forth a breakdown of the number of gas and water utility customers and revenues between the City and the Counties.

	Gas Utility					Water Utility				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Customers										
Richmond	48,389	47,726	48,102	47,262	47,262	61,837	61,161	61,235	60,148	59,659
Counties	59,648	57,927	57,154	52,763	52,763	Wholesale Direct to Counties				
Gross Revenues (000's)										
Richmond	\$110,969	\$107,955	\$87,764	\$112,903	\$99,239	\$39,376	\$34,046	\$31,619	\$29,134	\$26,969
Counties	\$112,394	\$110,595	\$84,916	\$104,544	\$93,010	\$14,662	\$15,427	\$15,427	\$12,607	\$14,121

Electric Utility

The electric utility purchases electricity from Dominion Virginia Power and distributes it to the 33,059 streetlights in the municipal street lighting system. The electric utility operates the street lighting system north of the James River and pays Dominion Virginia Power to operate the system in the southwest area of the City. The City's General Fund supports the entire annual cost of operating the electric utility.



UTILITY SYSTEM

Utility System Accounting and Budgeting

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

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

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

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

As provided by the Charter, the Department charges all other City departments, boards, commissions and agencies for all utility services rendered based on the cost to provide each service. The Department pays for services it receives from other City agencies. In addition, the Charter requires the Department to make payments in lieu of income and gross receipts taxes to the City in amounts equal to what would have accrued if the utility would have been investor owned.

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

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



UTILITY SYSTEM

Utility System Indebtedness

The City historically has issued general obligation bonds and revenue bonds to finance the capital projects of the utility system. The City has covenanted to fix, establish and maintain rates in each fiscal year sufficient to pay (a) 1.15 times, or 115%, of the debt service requirement on all revenue bonds secured by a first priority lien on system revenues and (b) 100% of the debt service requirement on general obligation bonds supported by utility system revenues.

As of June 30, 2008, the City had a total of \$616,825,743 outstanding bonds that are supported by utility system revenues, including \$406,325,632 of revenue bonds and \$210,500,111 of general obligation bonds.

Utility System Financials

The comparative statement of revenues, expenses and changes in retained earnings for the Department's enterprise funds for fiscal years 2004-2008 is set forth on the next page.



ECONOMY AND DEMOGRAPHY

Utilities Enterprise Funds Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings for Fiscal Years 2004-2008

	2004	2005	2006	2007	2008
Operating Revenues					
Charges for Goods and Services	\$ 273,225,889	\$ 310,251,270	\$ 350,374,275	\$ 326,948,530	\$ 330,560,207
Operating Expenses					
Purchased Gas	125,943,210	154,400,938	192,522,362	157,593,633	160,361,263
Operating Expenses, Repairs & Maintenance	73,012,172	71,951,435	74,898,764	86,869,515	89,784,867
Depreciation	22,540,863	24,893,896	24,777,641	25,916,817	26,721,682
Taxes and Licenses	14,216,761	14,721,336	14,604,204	14,480,428	20,652,952
Total Operating Expenses	239,656,668	271,376,187	311,901,961	290,242,375	297,520,764
Operating Income (Loss)	33,569,221	38,875,383	38,472,314	36,706,155	33,039,443
Non-Operating Revenues					
(Expenses)					
Miscellaneous Revenues	2,197,514	3,439,540	1,710,554	8,073,768	7,682,649
Interest on Customers' Deposits	7,382	(11,144)	(14,117)	(15,968)	(12,678)
Interest on Long-Term Debt	(26,949,958)	(30,703,225)	(28,234,697)	(26,430,434)	(29,429,144)
Interest Income	747,978	1,277,037	4,138,844	3,570,304	4,594,016
Amortization of Debt Expense	295,484	1,060,959	(4,689,438)	(9,378,392)	(1,255,343)
Total Non-Operating Revenues	(23,716,363)	(24,936,833)	(27,088,854)	(24,180,752)	(18,420,500)
(Expenses)					
Net Income Before Operating Transfers	9,852,856	13,938,550	11,383,460	12,525,403	14,618,943
Operating Transfers Out	(2,229,000)	(2,496,200)	(2,296,600)	(3,149,800)	(2,902,336)
Net Income	7,623,856	11,442,350	9,086,860	9,375,613	11,716,607
Retained Earnings - July 1	242,951,121	250,574,977	262,017,327	271,104,187	280,479,800
Retained Earnings - June 30	\$ 250,574,977	\$ 262,017,327	\$ 271,104,187	\$ 280,476,800	\$ 292,196,407

Source: City of Richmond Department of Public Utilities

Utility System Capital Improvements

The Department normally undertakes capital improvement projects for utility system expansion, regulatory and environmental requirements and for upgrades to the system. As new construction projects are identified, the Department personnel and outside consulting engineers estimate the cost to complete each project. Budget appropriations are subsequently made based on those estimates. Utility CIP projects are financed through the issuance of bonds and with available cash generated from operations.

The table below sets forth the recommended utility system capital improvements for fiscal years 2009-2013. Major FY 2009 projects include gas utility expansion and replacement (\$19.4 million), water plant and pumping station improvements (\$37.1 million) and upgrades to sanitary sewers (\$23.4 million).



ECONOMY AND DEMOGRAPHY

Recommended FY 2009-2013 Public Utilities Capital Improvement Plan

EXPENDITURE BY CATEGORY	2008-09	2009-10	2010-11	2011-12	2012-13	Five-Year Total
Gas Utility	\$ 19,408,000	\$ 26,921,000	\$ 28,482,000	\$ 29,790,000	\$ 31,541,000	\$136,142,000
Water Utility	52,285,000	52,700,000	29,841,000	12,694,000	9,234,000	156,754,000
Wastewater Utility	48,124,725	57,464,000	35,607,000	17,968,000	24,145,000	183,308,725
Stormwater Utility	-	10,750,000	11,575,000	12,482,000	13,480,000	48,287,000
Total Proposed Utilities Expenditure	\$119,817,725	\$147,835,000	\$105,505,000	\$72,934,000	\$78,400,000	\$524,491,725

Combined Sewer Overflow ("CSO")

The City operates an advanced wastewater treatment facility with a service area of 81.3 square miles that collects and treats a dry weather flow up to 45 million gallons per day ("MGD") and a combination of dry weather flow and storm water flows up to 75 MGD within the service area. Approximately 35% of main line and interceptor sewers are combined sewers. A system of retention facilities, storage tunnels, intercepting and trunk sewers links the separate and combined sewers with the wastewater treatment plant. There is a mechanical or hydraulic regulator structure at each of the 29 CSO outfalls and each has the capacity to divert to the wastewater treatment plant for complete treatment. Begun in 1988, Phases I and II of the CSO control program have been completed at a cost of \$246 million and have resulted in greatly improved water quality and river aesthetics in the James River within the City. As discussed below, Phase III has begun and requires the City to undertake approximately \$20 million of CSO projects over a 12-year period through 2017.

The City has been cooperating with the Virginia State Water Control Board ("Board") since the mid-1970s to address combined sewer overflow impacts and the discharge of partially treated sewage to the James River. The City developed a CSO control plan to meet CSO Policy (EPA's April 19, 1994 CSO Control Policy) and most recently updated the control plan in 2007. The Board adopted the technical components of the CSO Plan and continues to regulate and monitor the City's program through the current Virginia Pollution Discharge Elimination System ("VPDES") permit and CSO Special Order issued by the Virginia Department of Environmental Quality ("DEQ") with oversight from the EPA.

The CSO was originally estimated to cost \$295 million in 1995 dollars and is now estimated at \$665 million in 2007 dollars (approximately \$256 million has been spent to date). In 2005, the City and the Commonwealth signed the third special order by consent to implement Phase III of the CSO control program at an estimated cost of between \$352 and \$422 million (2006 dollars). Phase III will result in improved water quality and river aesthetics in the James River and in compliance with water quality standards within the City and downstream. The CSO control plan implementation is being funded with a combination of ratepayer dollars, state revolving loan funds, bond proceeds and state and federal grants. By agreement with the Board, the City's financial liability for water quality spending is capped at a typical annual wastewater bill of at least 1.25% of median household income supplemented by the availability of federal, state and local grant and zero interest loan funding. Wastewater utility rates are designed to meet the cap in 2010.

Utility System Security

Since the terrorist events of September 11, 2001, the City and the Department have reassessed the vulnerability of their activities to acts of terrorism and reviewed security procedures. As a result, a number of steps have been taken to enhance security and to protect the utility system and its customers. The Department has increased security patrols in certain areas and has enhanced certain structural components of the utility system. Procedures have been implemented to improve communications within and outside system facilities. The City has partnered with other groups to address and share information on community-wide security concerns. The additional security measures have increased operating



ECONOMY AND DEMOGRAPHY

expenses, however, the increases in operating expenditures do not have a material impact on the system's operating budget.

Economic and Statistical Information

Richmond is one of the major financial centers of the United States. It is headquarters for the Fifth Federal Reserve District which comprises five states and the District of Columbia. The City also serves as the home to regional offices for a number of other banking institutions. The Richmond Metropolitan Statistical Area ("Richmond MSA") has a diverse mix of government, manufacturing and service sector businesses.

The following tables set forth a listing of the Fortune 1000 companies located in the Richmond MSA, a listing of the 25 largest employers in the Richmond MSA in 2007 and 2008 and the assessed values of the 25 largest taxpayers in the Richmond MSA as of January 1, 2008.

Richmond MSA Industrial and Commercial Base Fortune 1000 Companies

2008 Rank	Firm	Industry Group	2007 Revenues (\$000,000)
61	Altria Group	Tobacco Products	\$38,051
161	Dominion Resources	Electric and Gas Utilities	15,790
233	Genworth Financial	Financial Services	11,443
333	CarMax, Inc.	Retail Auto Sales	7,466
356	MeadWestvaco	Paper/Packaging	6,906
360	Owens & Minor	Medical Supply Distribution	6,801
384	Performance Food Group	Food Distribution	6,304
636	Brinks, Inc.	Mining, Security, Air Freight	3,248
683	Universal Corp	Tobacco Wholesaler	2,937
780	Markel	Specialty Insurance	2,483
791	Massey Energy	Coal	2,414
806	Albemarle Corporation	Chemicals	2,336

Source: Fortune Magazine



**Richmond MSA
25 Largest Employers
2007 and 2008**

Employer	Approximate No. of Full-Time Equivalent Employees	
	<u>2008</u>	<u>2007</u>
Commonwealth of Virginia	27,124	26,463
Federal Government	15,100	15,300
Chesterfield County	11,067	10,826
Henrico County	10,372	10,124
City of Richmond	8,445	8,542
Virginia Commonwealth University Health System	7,082	6,990
HCA Inc.	6,941	6,418
Capital One Financial Corp.	6,474	7,389
Wal-Mart Stores Inc.	6,173	5,862
Philip Morris USA	5,630	6,100
Dominion Resources Inc.	5,362	5,114
Wachovia Corp.	5,345	5,349
Bon Secours Richmond Health System	5,292	5,021
Hanover County	4,017	3,960
SunTrust Banks Inc.	3,596	3,674
Ukrop's Super Markets Inc.	3,545	3,563
DuPont	3,198	3,043
Bank of America Corp.	3,100	3,100
Wellpoint Inc. (formerly Anthem Inc.)	3,091	3,028
Delhaize America Inc. (Food Lion)	2,795	2,553
Verizon Virginia Inc.	2,697	2,311
Circuit City Stores Inc.	2,689	2,552
Qimonda Richmond	2,500	2,390
United Parcel Service, Inc	2,498	2,497
Federal Reserve Bank of Richmond	1,717	1,611

Source: The Richmond Times-Dispatch annual employment survey



ECONOMY AND DEMOGRAPHY

City of Richmond Assessed Values of 25 Largest Taxpayers as of January 1, 2009

Taxpayer	Assessment	% of Total
Philip Morris Inc.	\$715,271,200	3.39%
Hines Riverfront Plaza LP	272,500,000	1.29
James Center Property LLC	194,177,300	0.92
Dominion Resources, Inc	144,568,000	0.69
Chippenham Hospital Inc. (HCA)	105,604,600	0.50
Federal Reserve Bank of Richmond	96,629,100	0.46
Gambles Hill Third Street LLC	91,918,000	0.44
Parmenter 919 Main St. LP	83,574,000	0.40
Riverside Owner LLC	83,324,000	0.39
Stony Point Fashion Park Assoc.	78,388,000	0.37
SunTrust Bank	71,513,900	0.34
First States Investors 3500 LLC	70,410,000	0.33
Gambles Hill LLC	70,120,800	0.33
Robins A H Co. Inc.	48,212,400	0.23
Media General, Inc	47,156,000	0.22
American Retirement Corp.	46,324,000	0.22
Miller & Rhoads Building LLC (Hilton)	42,010,000	0.20
Apple Seven SPE Richmond (Marriott)	41,072,000	0.19
SJW Limited Partnership	40,909,000	0.19
Historic Hotels LLC (Jefferson)	37,269,000	0.18
Overnite Transportation	37,255,000	0.18
Alleghany Warehouse Co. Inc.	36,004,600	0.17
Eck Enterprises	36,275,300	0.17
Omni Center Corporation	35,197,000	0.17
CRIT-VA Inc	32,455,000	0.15
 Subtotal	 <u>\$ 2,558,138,200</u>	 <u>12.12%</u>
 All Other Properties	 \$18,540,890,843	 87.88%
 Total Assessment	 <u>\$21,099,029,043</u>	 <u>100.00%</u>

Source: City Real Estate Assessor

ECONOMY AND DEMOGRAPHY



Annual Labor Force Statistics, Employment and Unemployment

Set forth below are the labor force statistics, including employment and unemployment numbers, for the City and the Richmond MSA for calendar years 2000-2008.

City of Richmond	Year	Labor Force	Employment	Unemployment	Unemployment Rate (%)
	2000	94,849	92,351	2,498	2.6%
	2001	95,842	91,862	3,980	4.2
	2002	96,755	91,230	5,525	5.7
	2003	96,268	90,722	5,546	5.8
	2004	96,409	91,018	5,391	5.6
	2005	96,402	91,342	5,060	5.2
	2006	96,169	91,809	4,360	4.5
	2007	99,617	95,314	4,303	4.3
	2008	100,969	94,997	5,972	5.9

Richmond MSA	Year	Labor Force	Employment	Unemployment	Unemployment Rate (%)
	2000	564,832	553,197	11,635	2.1%
	2001	574,666	556,643	18,023	3.1
	2002	587,095	563,040	24,055	4.1
	2003	596,585	571,621	24,964	4.2
	2004	609,670	585,981	23,689	3.9
	2005	621,763	598,571	23,192	3.7
	2006	634,542	614,416	20,126	3.2
	2007	644,180	624,325	19,855	3.1
	2008	649,989	622,250	27,739	4.3

Source: Virginia Employment Commission



ECONOMY AND DEMOGRAPHY

Income Indicators

Set forth below are the income indicators for the City and the Richmond MSA, including average weekly wage and per capital personal income for calendar years 1997-2008.

Average Weekly Wage

Year	City of Richmond	% Change	Richmond MSA	% Change	Commonwealth of Virginia	% Change
1997	\$ 650	4.67%	\$ 572	4.19%	\$ 568	5.58%
1998	680	4.62	600	6.64	603	6.16
1999	708	4.12	629	4.83	635	5.31
2000	743	4.94	657	4.45	676	6.46
2001	769	3.50	683	3.96	706	4.43
2002	799	3.90	700	2.49	716	1.42
2003	827	3.50	719	2.71	742	3.64
2004	869	5.08	762	5.98	779	4.99
2005	892	2.65	794	4.20	813	4.36
2006	933	4.60	816	2.77	847	4.18
2007	989	6.00	856	4.90	885	4.49
2008	1,012	2.33	871	1.75	908	2.60

Source: Virginia Employment Commission, ES-202 data, Annual Average Weekly Wage

Per Capita Personal Income

Year	City of Richmond	% Change	Richmond MSA	% Change	Commonwealth of Virginia	% Change
1998	\$27,433	2.12%	\$27,711	4.97%	\$27,780	5.60%
1999	27,985	2.01	28,668	3.45	29,226	5.21
2000	29,809	6.52	30,545	6.55	31,086	6.36
2001	31,748	6.50	31,900	4.44	32,521	4.62
2002	32,462	2.25	32,528	1.97	33,055	1.64
2003	33,607	3.52	33,276	2.30	34,034	2.96
2004	36,950	9.95	35,186	5.74	35,886	5.44
2005	38,169	3.30	36,995	5.14	37,988	5.86
2006	41,615	9.03	38,913	5.18	40,234	5.91
2007	43,011	3.35	40,286	3.53	41,727	3.71

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data

ECONOMY AND DEMOGRAPHY



Population Statistics

Set forth below are the population estimates for the City for calendar years 1990-2007.

Year	Population
1990	202,713
1991	201,400
1992	201,100
1993	200,500
1994	197,700
1995	196,200
1996	193,000
1997	193,700
1998	192,500
1999	191,300
2000	197,790
2001	198,204
2002	198,356
2003	197,924
2004	197,194
2005	197,586
2006	198,480
2007	199,991
2008	202,002

Source: U.S. Department of Commerce: U.S. Census Bureau,
U.S. Census of Population

APPENDIX B

CASH FLOW FORECAST JULY 1, 2009 – JUNE 30, 2010





City of Richmond, Virginia
Cash Flow - Forecast
For the Fiscal Year Ending June 30, 2010
\$ 000's Omitted

Description	July	August	September	October	November	December	January	February	March	April	May	June	FY 2010 Total
Beginning Cash Balance	\$ 203,161	\$ 148,848	\$ 129,052	\$ 114,921	\$ 82,482	\$ 61,843	\$ 45,424	\$ (10,550)	\$ (27,383)	\$ (26,245)	\$ (42,941)	\$ (11,548)	
Receipts:													
Property Taxes	\$ 11,750	\$ 7,500	\$ 500	\$ 50	\$ 50	\$ 50	\$ 250	\$ 1,500	\$ 11,000	\$ 4,000	\$ 36,500	\$ 205,740	\$ 278,890
Sales Taxes	\$ 4,089	\$ 6,260	\$ 4,283	\$ 4,500	\$ 4,700	\$ 4,900	\$ 4,900	\$ 5,550	\$ 4,500	\$ 4,500	\$ 5,000	\$ 4,887	\$ 58,069
Federal and State	\$ 10,053	\$ 10,264	\$ 10,167	\$ 10,100	\$ 10,030	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 120,614
Other Receipts	\$ 12,234	\$ 15,572	\$ 14,276	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,333	\$ 172,415
Sub-total General Fund	\$ 38,126	\$ 39,596	\$ 29,226	\$ 29,150	\$ 29,280	\$ 29,450	\$ 29,650	\$ 31,550	\$ 40,000	\$ 33,000	\$ 66,000	\$ 234,960	\$ 629,988
Utility Revenue	\$ 14,765	\$ 17,773	\$ 25,015	\$ 24,658	\$ 29,551	\$ 35,500	\$ 36,500	\$ 38,135	\$ 38,135	\$ 36,000	\$ 31,500	\$ 26,472	\$ 354,003
599\$ & Other CIP Sources	\$ 628	\$ 553	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 6,181
GO Bond Proceeds	\$ -	\$ 4,000	\$ 9,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 4,500	\$ 3,500	\$ 67,500
Utility Bond Proceeds	\$ 12,000	\$ -	\$ 10,000	\$ 7,236	\$ 5,083	\$ 4,664	\$ 4,833	\$ 8,312	\$ 9,305	\$ 6,039	\$ 8,276	\$ 5,567	\$ 81,314
GO RAN-Draw (Payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility and Other Revenue	\$ 27,393	\$ 22,326	\$ 44,515	\$ 39,894	\$ 42,634	\$ 48,164	\$ 49,333	\$ 52,447	\$ 53,440	\$ 48,039	\$ 44,776	\$ 36,039	\$ 508,998
Total Receipts	\$ 65,519	\$ 61,922	\$ 73,741	\$ 69,044	\$ 71,914	\$ 77,614	\$ 78,983	\$ 83,997	\$ 93,440	\$ 81,039	\$ 110,776	\$ 270,999	\$ 1,138,986
Disbursements:													
Salary & Fringes	\$ 19,634	\$ 19,750	\$ 19,900	\$ 29,000	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 28,898	\$ 19,900	\$ 19,900	\$ 256,482
Services/Supplies/Other	\$ 27,876	\$ 28,375	\$ 26,100	\$ 26,100	\$ 26,100	\$ 26,100	\$ 26,100	\$ 26,100	\$ 26,100	\$ 26,054	\$ 26,000	\$ 26,000	\$ 317,005
Gen Fund Debt Service	\$ 34,127	\$ 4	\$ 40	\$ 16	\$ 25	\$ 167	\$ 19,317	\$ 20	\$ 25	\$ 30	\$ 149	\$ 2,581	\$ 56,501
Sub-total City Expenses	\$ 81,637	\$ 48,129	\$ 46,040	\$ 55,116	\$ 46,025	\$ 46,167	\$ 65,317	\$ 46,020	\$ 46,025	\$ 54,982	\$ 46,049	\$ 48,481	\$ 629,988
Utility GAS Payments	\$ 5,815	\$ 6,214	\$ 5,101	\$ 16,000	\$ 17,000	\$ 18,000	\$ 20,270	\$ 18,000	\$ 16,000	\$ 9,000	\$ 6,000	\$ 5,000	\$ 142,400
Utility O&M Expense	\$ 8,265	\$ 8,508	\$ 9,597	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 7,904	\$ 98,274
Utility Debt Service	\$ 12,859	\$ 2,702	\$ 2,708	\$ 2,600	\$ 2,600	\$ 2,600	\$ 17,146	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600	\$ 2,600	\$ 56,215
Other Utility Expense	\$ 2,918	\$ 2,846	\$ 1,954	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,579	\$ 22,097
Sub-total Utilities	\$ 29,857	\$ 20,270	\$ 19,360	\$ 28,200	\$ 29,200	\$ 30,200	\$ 47,016	\$ 30,200	\$ 28,200	\$ 21,200	\$ 18,200	\$ 17,083	\$ 318,986
Advance to CIP (City)	\$ 3,124	\$ 5,894	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 5,000	\$ 4,000	\$ 4,000	\$ 72,018
Advance to CIP (Utilities)	\$ 5,214	\$ 7,385	\$ 14,472	\$ 10,166	\$ 9,328	\$ 9,666	\$ 16,623	\$ 18,610	\$ 12,077	\$ 16,552	\$ 11,134	\$ 14,034	\$ 145,261
Total Disbursements	\$ 119,832	\$ 81,678	\$ 87,872	\$ 101,482	\$ 92,553	\$ 94,033	\$ 134,956	\$ 100,830	\$ 92,302	\$ 97,734	\$ 79,383	\$ 83,598	\$ 1,166,253
Rec. Over/(Under) Disb.	\$ (54,313)	\$ (19,756)	\$ (14,132)	\$ (32,439)	\$ (20,640)	\$ (16,419)	\$ (55,973)	\$ (16,834)	\$ 1,138	\$ (16,696)	\$ 31,393	\$ 187,401	
Ending Cash Balance	\$ 148,848	\$ 129,092	\$ 114,921	\$ 82,482	\$ 61,843	\$ 45,424	\$ (10,550)	\$ (27,383)	\$ (26,245)	\$ (42,941)	\$ (11,548)	\$ 175,854	

Subtotals and Totals subject to rounding

Total Revenue receipts reflect cash revenue of the General Fund and Utilities Enterprise Funds and are pooled for the purposes of managing cash flow, to minimize City borrowing and maximize investment opportunities.

The beginning cash balance of \$203,161,702 includes \$131,952,183 Utilities cash available for temporary interfund borrowings which the City is legally obligated to repay to the Utilities System.

Forecast does not include funds from a \$70.0 million Revenue Anticipation Note to be drawn in November and repaid in June prior to fiscal year end.

Source : Department of Finance

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2008



**THE CITY OF RICHMOND, VIRGINIA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The enclosed Financial Statements were reproduced from the City's audited financial statements in the Comprehensive Annual Financial Report for the year ended June 30, 2008. Additional information relative to the City's Capital Improvement Program and Long-Term Debt is presented elsewhere within the Official Statement.

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

Independent Auditors' Report

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

The Honorable Mayor of the
City of Richmond, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Richmond Behavioral Health Authority and the Richmond Redevelopment and Housing Authority, which represent 57.32%, 23.14% and 88.99%, respectively, of the total assets, revenues, and net assets of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions insofar as they relate to the amounts included for the Richmond Behavioral Health Authority and the Richmond Redevelopment and Housing Authority are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (specifications). Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Broad Street Community Development Authority and the Richmond Ambulance Authority discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 20, the budgetary comparison schedules on pages 85 through 90, and certain funding progress information in note 12 on page 77, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richmond's basic financial statements. The Introductory Section, Statistical Section and Supplementary Information – Combining Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information – Combining Financial Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 18, 2008





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

The City of Richmond, Virginia's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$759.9 million. Of this amount, \$124.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's Business-type Activities closed on June 30, 2008 with \$394.3 million in net assets, an increase of \$11.6 million in comparison with the prior year. A total of \$78.0 million of net assets is reported as unrestricted. The increase in Business-type Activities net assets is due to revenues exceeding expenses by \$35.9 million, offset by \$24.3 million of transfers to Governmental Activities.
- As of the close of the current fiscal year, the City's Governmental Activities reported net assets of \$365.6 million, an increase of \$47.4 million. A total of \$46.0 million of net assets is reported as unrestricted.

Fund Financial Statements

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

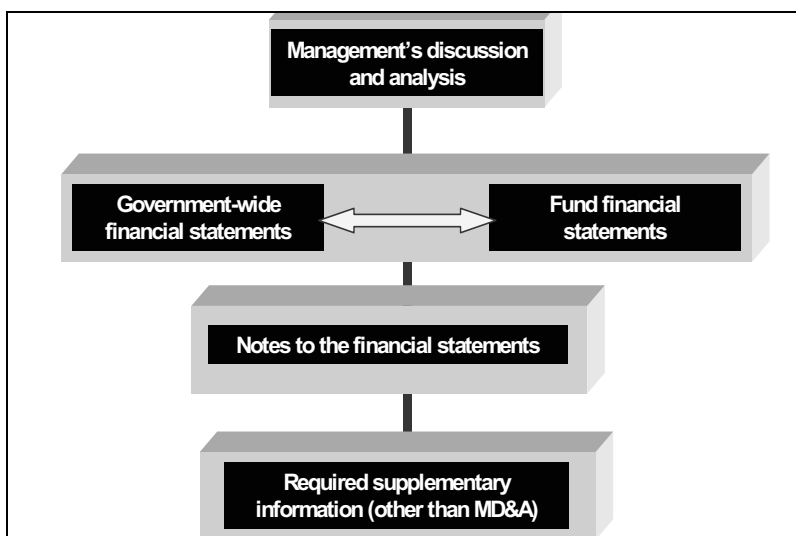
Debt Offering

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



Overview of the Financial Statements

The following is narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements. The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the City's accountability.



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between assets and liabilities reported as net assets. Net assets are reported in three classifications: invested in capital assets – net of related debt, restricted, and unrestricted. Over time, the increases or decreases in the City's net assets can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net assets as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other non-financial factors (such as changes in the property tax base and the condition of infrastructure and other capital assets).

The Statement of Activities presents information showing how the net assets changed during the year. All changes in net assets are recognized as the underlying event occurs, regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City includes the City's basic services including Police, Fire, Economic Development, Recreation and Parks, Social Services, Community Development, and the General Administration. These activities are supported primarily by property



taxes, other local taxes, state and federal grants, and contributions from the City's Utility Departments (Gas, Water, and Wastewater). The business-type activities reflect private-sector type operations (e.g. Gas, Water, Wastewater, Coliseum, Landmark Theatre, and Cemeteries) where the City charges a fee to customers to cover all or most of the costs associated with providing these services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As is the case with other state and local governments, the City ensures and demonstrates compliance with legal requirements through its use of fund accounting. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar than the government-wide financial statements. The City has three types of funds:

Governmental Funds

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. However, the Governmental Fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between Governmental Funds and governmental activities.

The City maintains nine individual Governmental Funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Debt Service Funds, both of which are considered major funds. Data from the other nine Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as the business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Statement of Net Assets and in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Gas, Water, and Wastewater operations, all of which are considered major funds. Data from the other three Enterprise Funds are combined into a single, aggregated presentation. Individual fund data for each of these Non-major Enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. Information is presented separately in the Proprietary Funds Statement of Net Assets and in the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets in a single, aggregated presentation. The City maintains seven Internal Service Funds: 1) Fleet Management, 2) Radio Maintenance, 3) Risk Management, 4) Public Works Stores, 5) Electric Utility, 6) Stores and Transportation and 7) Advantage Richmond Corporation. Individual fund data for each of these Non-major Internal Service Funds is provided as supplementary information in the combining statements section in this report.

While the total column on the Proprietary Funds financial statements may be the same as the business-type activities column on the government-wide financial statements, the governmental funds total column requires a reconciliation to the governmental activities column on the government-wide financial statements because of the different measurement focuses (current financial resources *versus* total economic resources) utilized by the two statements. Specifically, the



flow of current financial resources measurement focus reflects bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation between the two bases of accounting takes into account these and other differences (e.g. capital assets and long-term obligations). Reconciliation adjustments between the business-type activities (government-wide and enterprise funds totals) occurs because of the need to redistribute excess income/loss for the Stores Internal Service Fund that serves only the Gas, Water, Wastewater, and Electric Utilities.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains two Fiduciary Funds: 1) Trust Funds and 2) Agency Funds. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes also present certain required supplementary information.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budget execution process, and progress in funding its obligation to provide pension benefits and other post employment benefits (OPEB) to its employees. Required supplementary information can be found on page 88 of this report. The combining statements referred to earlier in connection with Non-major Governmental Funds, Enterprise and Internal Service Funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

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

The largest portion of the City's Total Net Assets (81.0%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (17.0%), which may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate Governmental and Business-type Activities.



Table 1
City of Richmond's Schedule of Net Assets
as of the Fiscal Year Ended June 30, 2008 and 2007
(In Millions)

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



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

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

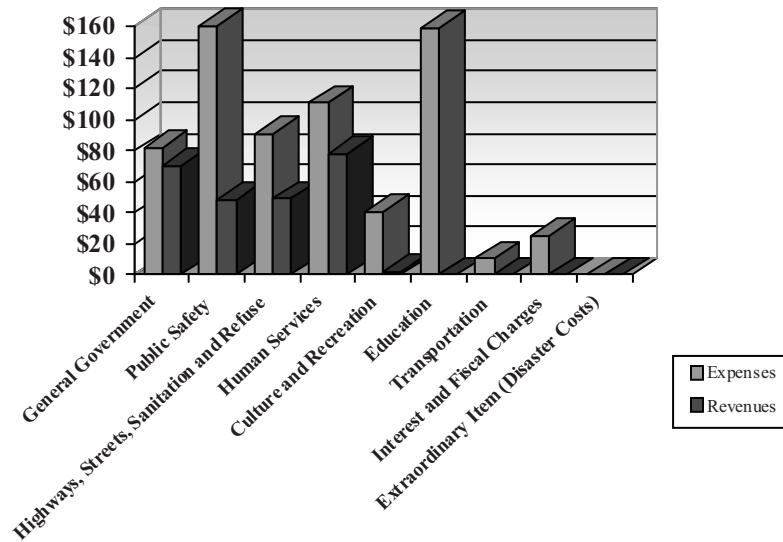
Governmental Activities

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

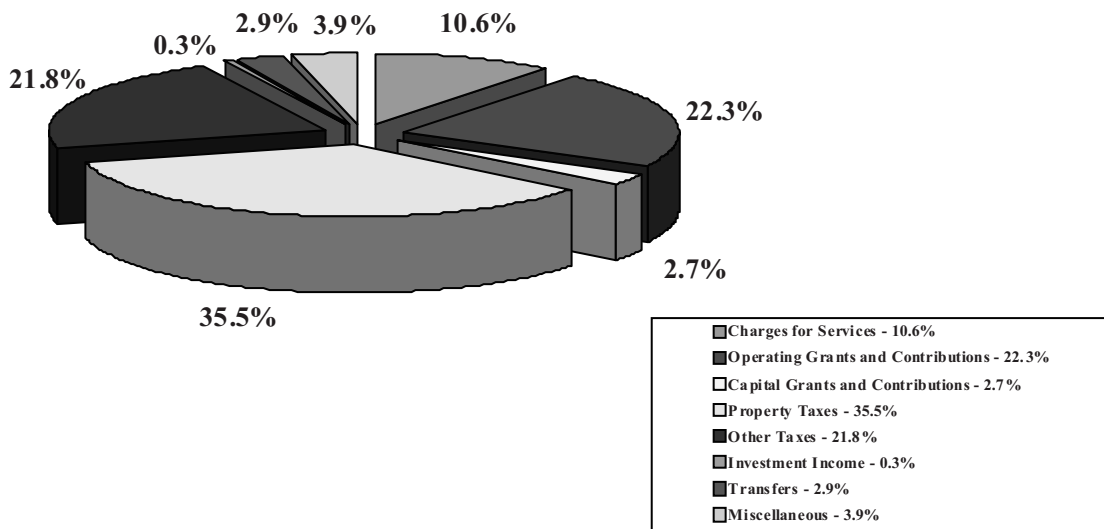


Government (12%), Human Services (16%), and Highways, Streets, Sanitation, and Refuse (13%) make up eighty-nine percent of the total governmental expenses.

Expenses and Program Revenues – Governmental Activities (In Millions)



Revenues by Source – Governmental Activities





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

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

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

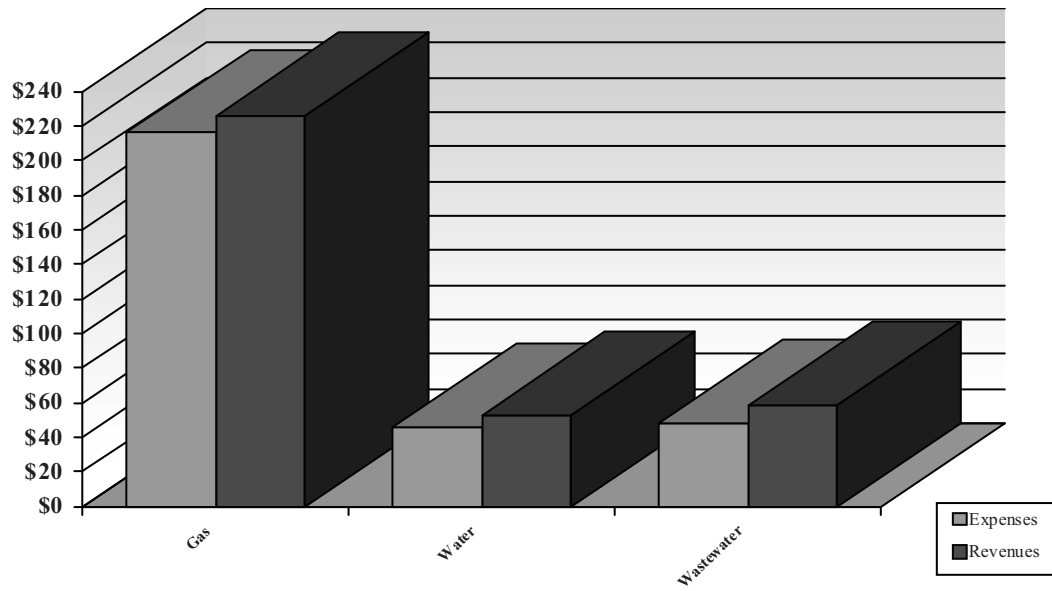
1. Public Safety and Judiciary expenses decreased \$4.7 million, primarily due to transferring Juvenile Justice Service to Human Services.
2. General Government expenses decreased \$26.3 million, primarily due to certain reclassification within the functional categories and a reduction in spending.
3.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

Business-type Activities

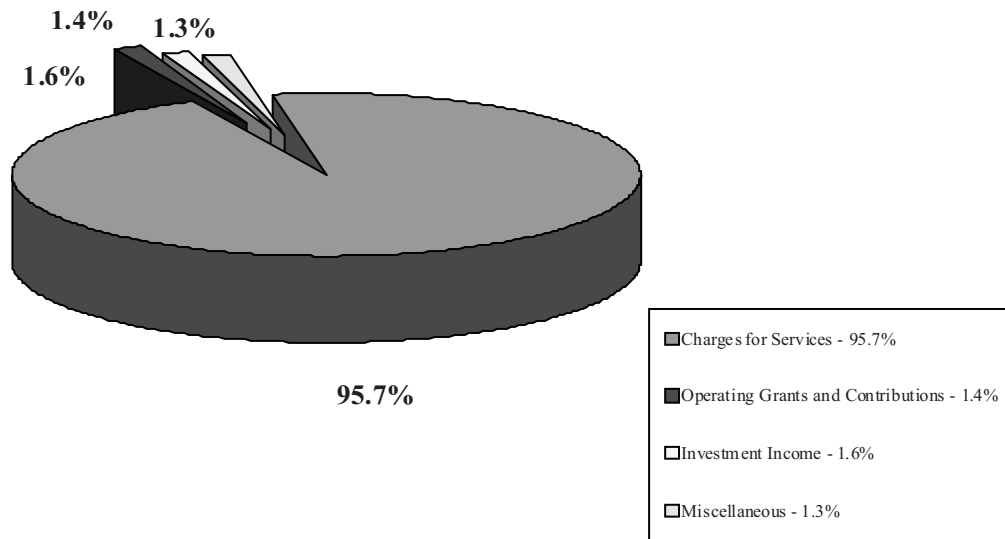
Business-type activities increased the City's government wide net assets by \$11.6 million. At June 30, 2008, total Business-type net assets were \$394.3 million with \$78.0 million being unrestricted. Revenues totaled \$355.8 million of which 95.1% percent is from charges for services (program revenue).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



Expenses and Program Revenues – Business-Type Activities (In Millions)



Revenues by Source – Business-Type Activities





Financial Analysis of the Fund Financial Statements

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

Governmental Funds

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

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$97.4 million, a decrease of \$22.1 million in comparison with the prior year. Forty nine percent (\$47.6 million) constituted unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$49.8 million) is reserved to indicate that it is not available for new spending because it has already been committed to activities such as to 1) liquidate contracts, purchase orders, and other obligations of the prior period (\$16.9 million), 2) to pay debt service (\$1.2 million), 3) capital projects (\$23.7 million), or (4) a variety of restricted projects (\$8.0).

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

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

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

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

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

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



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

Utility Proprietary Fund

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

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

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

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

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

General Fund Budgetary Highlights

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

The increases to the City agencies appropriations are indicated below.

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



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

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

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

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

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



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

Capital Assets and Debt Administration

Capital Assets

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

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

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

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



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

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 34.6	\$ 30.7	\$ 12.8	\$ 12.8	\$ 47.4	\$ 43.5
Construction In Progress	62.5	38.2	176.6	155.3	239.1	193.5
Works of Art / Historical Treasures	6.9	6.9	--	--	6.9	6.9
Total Assets Not Being Depreciated	104.1	75.8	189.4	168.1	293.5	243.9
Capital Assets Being Depreciated:						
Infrastructure	726.2	716.1	--	--	726.2	716.1
Buildings and Structures	434.1	428.8	1,156.8	1,113.4	1,590.9	1,542.2
Equipment	103.9	104.3	6.3	9.2	110.2	113.5
Improvements Other Than Buildings	9.2	6.9	--	--	9.2	6.9
Total Other Assets	1,273.4	1,256.1	1163.1	1,122.6	2,436.5	2,378.7
Less Accumulated Depreciation For:						
Infrastructure	411.0	397.3	--	--	411.0	397.3
Buildings and Structures	200.6	188.8	425.7	395.4	626.3	584.2
Equipment	67.8	65.9	4.3	3.7	72.1	69.6
Improvements Other Than Buildings	1.8	1.3	--	--	1.8	1.3
Total Accumulated Depreciation	681.2	653.3	430.1	399.1	1,111.2	1,052.4
Total Capital Assets Being Depreciated, Net	592.2	602.8	733.0	723.5	1,325.2	1,326.3
Total Capital Assets, Net	\$ 696.3	\$ 678.6	\$ 922.4	\$ 891.6	\$ 1,618.7	\$ 1,570.2

Long-Term Debt

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



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

Primary Government - Governmental Activities

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

Primary Government - Business-type Activities

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

In November 2007, credit analysts from the three major bond-rating agencies met with the City prior to the issuance of the Series 2007 General Obligation Revenue Anticipation Notes. Moody's, Standard and Poor's, and Fitch Ratings all reaffirmed their respective General Obligation debt ratings of Aa3, AA, and AA for the City's outstanding and to be issued General Obligation debt. Sited in the credit reports were the City's diverse economy, effective management, consistent financial performance, and prudent debt and financial policies.



The City's Governmental and Business-type General Obligation Bonds are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. General Obligation Serial Equipment Notes and obligations under capital leases are payable from related General and Internal Service Fund revenues, respectively. The full faith and credit of the City pledges the payment of notes payable. The Revenue Bonds are limited obligations of the City, payable solely from certain revenues derived by the City from its natural gas, water, and wastewater utilities, and Internal Service Funds pledged for their repayment under the terms of a Master Indenture.

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

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

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

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

Economic Factors and Next Year's Budget Rates

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

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



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

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report for additional financial information should be addressed to the City of Richmond, Director of Finance, 900 East Broad Street, Richmond, Virginia 23219.

Basic Financial Statements



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

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

(Continued)



EXHIBIT A

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

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



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

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 82,078,049	\$ 43,593,817	\$ 35,482,037	\$ --
Public Safety and Judiciary	170,498,404	14,135,932	33,951,676	--
Highways, Streets, Sanitation and Refuse	90,808,054	14,842,079	21,630,888	12,566,194
Human Services	110,423,497	1,472,917	76,694,516	--
Culture and Recreation	41,009,121	719,586	1,346,270	--
Education	158,858,678	--	--	--
Transportation	10,460,000	--	--	--
Interest and Fiscal Charges	25,030,424	--	--	--
Total Governmental Activities	<u>689,166,227</u>	<u>74,764,331</u>	<u>169,105,387</u>	<u>12,566,194</u>
Business-type:				
Gas	216,059,214	225,892,538	3,614	--
Water	46,158,648	51,616,053	970,357	--
Wastewater	48,364,007	56,795,731	2,273,145	--
Coliseum	5,846,334	2,202,374	4,139,595	--
Landmark Theater	1,829,565	463,078	511,334	--
Cemeteries	1,641,821	1,423,292	69,054	--
Total Business-type Activities	<u>319,899,589</u>	<u>338,393,067</u>	<u>7,967,099</u>	<u>--</u>
Total Primary Government	<u>\$ 1,009,065,816</u>	<u>\$ 413,157,398</u>	<u>\$ 177,072,486</u>	<u>\$ 12,566,194</u>
Component Units:				
School Board	316,463,864	3,403,326	96,192,111	3,373,815
Richmond Ambulance Authority	13,937,478	9,996,066	--	--
Port of Richmond Commission	1,662,401	1,263,470	--	349,634
Richmond Behavioral Health Authority	36,003,165	21,795,735	14,256,216	--
Richmond Redevelopment and Housing Authority	59,677,389	14,652,959	44,243,389	3,524,274
Broad Street Community Development Authority	7,751,160	4,953,161	--	--
Total Component Units	<u>\$ 435,495,457</u>	<u>\$ 56,064,717</u>	<u>\$ 154,691,716</u>	<u>\$ 7,247,723</u>
General Revenues:				
City Taxes				
Real Estate				
Sales-1% Local				
Sales Tax for Education				
Personal Property				
Machinery and Tools				
General Utility Sales				
Bank Stock				
Prepared Food				
Lodging Tax				
Admissions				
Delinquent Tax Payments-All Classes				
Private Utility Poles and Conduits				
Penalties and Interest				
Titling Tax-Mobile Home				
State Recordation				
Property Rental 1%				
Vehicle Rental Tax				
Telephone Commissions				
Total City Taxes				
Intergovernmental Revenue Not Restricted to Specific Programs				
Payment From Primary Government - Unrestricted				
Investment Earnings				
Miscellaneous				
Transfers				
Extraordinary Item - Disaster Costs				
Total General Revenues, Transfers, and Extraordinary Item				
Changes in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

(Continued)



EXHIBIT B

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



EXHIBIT C

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

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

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

(Continued)



EXHIBIT C, Concluded

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

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

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



EXHIBIT D

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

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

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

(Continued)



EXHIBIT D, Concluded

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

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

Net change in fund balances - total governmental funds	\$	(22,123,865)
--	----	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Purchases of assets	\$ 49,894,964	
Depreciation expense	<u>(28,573,598)</u>	21,321,366

The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of of long-term debt and related items.

Principal payments of bonds, net	33,368,115	
Amortization of bond premium	<u>762,900</u>	34,131,015

Some revenues in the Statement of Activities do not provide the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.

16,922,997

Some expenditures in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest	(275,814)	
Compensated absences	<u>(1,541,149)</u>	(1,816,963)

Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.

(1,065,646)

Change in net assets of governmental activities

\$ 47,368,904

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



EXHIBIT E-1

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

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 643,726	\$ 38,329,997	\$ 20,752,630	\$ --	\$ 59,726,353	\$ 31,055,636
Accounts Receivables (Net of Allowance for Doubtful Accounts)	23,197,811	10,794,069	9,766,629	949,557	44,708,066	5,342,283
Due From Component Units	--	--	--	--	--	62,338
Due From Other Funds (Note 4)	435,638	10,747,784	7,241,481	--	18,424,903	27,877,146
Due From Other Governments (Note 5)	--	--	20,000,000	--	20,000,000	61,028
Inventories of Materials and Supplies	27,604,984	266,275	--	50,087	27,921,346	3,777,797
Prepaid Expenses and Other Current Assets	1,883,478	1,334,176	1,317,083	45,634	4,580,371	849,349
Total Current Assets	53,765,637	61,472,301	59,077,823	1,045,278	175,361,039	69,025,577
Noncurrent Assets:						
Restricted Assets - Cash and Investments (Note 3)	9,090,013	13,997,050	18,817,708	--	41,904,771	--
Advances To Other Funds (Note 4)	19,605,111	19,081,068	21,534,342	--	60,220,521	3,294,908
Deferred Expenses	15,954,101	6,183,865	5,827,544	--	27,965,510	30,995
Capital Assets (Note 7):						
Land	--	--	--	12,815,550	12,815,550	3,098,000
Buildings and Structures	--	--	--	44,395,627	44,395,627	114,122,053
Equipment	--	--	--	6,264,225	6,264,225	62,942,483
Plant-in-Service	349,233,702	270,536,662	226,689,209	--	846,459,573	--
Completed Construction	32,231,666	39,548,615	133,191,378	--	204,971,659	--
Construction in Progress	38,159,747	57,755,067	70,635,821	--	166,550,635	12,781,014
Less: Accumulated Depreciation	(121,385,412)	(93,046,754)	(138,426,253)	(35,242,846)	(388,101,265)	(108,884,975)
Total Capital Assets, Net Accumulated Depreciation	298,239,703	274,793,590	292,090,155	28,232,556	893,356,004	84,058,575
Total Noncurrent Assets	342,888,928	314,055,573	338,269,749	28,232,556	1,023,446,806	87,384,478
Total Assets	\$ 396,654,565	\$ 375,527,874	\$ 397,347,572	\$ 29,277,834	\$ 1,198,807,845	\$ 156,410,055
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 3,664,704	\$ 8,917,216	\$ 5,876,962	\$ 1,393,672	\$ 19,852,554	\$ 4,127,904
Accrued Liabilities	3,199,773	1,039,600	495,897	275,125	5,010,395	2,667,088
Due To Other Funds (Note 4)	23,479,062	148,601	1,235,792	4,392,044	29,255,499	7,554,198
Accrued Interest on Bonds Payable	5,163,530	4,508,329	4,107,475	391,263	14,170,597	3,906,550
General Obligation Bonds, Capital Leases, and Notes Payable (Note 8)	5,570,707	4,204,065	2,919,653	1,459,797	14,154,222	1,696,594
Accreted Interest (Note 8)	100,553	160,871	65,783	--	327,207	14,345
Revenue Bonds Payable (Note 8)	2,039,065	2,171,637	3,602,900	--	7,813,602	604,708
Notes Payable (Note 8)	--	--	--	--	--	2,040,000
Compensated Absences (Note 8)	576,182	428,242	448,604	65,609	1,518,637	181,035
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	3,937,296
Total Current Liabilities	43,793,576	21,578,561	18,753,066	7,977,510	92,102,713	26,729,718
Noncurrent Liabilities:						
Liabilities to be Repaid from Restricted Assets:						
Customers' Deposits	5,387,610	1,040,080	--	--	6,427,690	--
General Obligation Bonds, Capital Lease Liabilities (Note 8)	87,533,571	68,218,529	40,449,715	13,797,777	209,999,592	5,107,277
Revenue Bonds Payable (Note 8)	137,109,232	127,370,643	134,032,158	--	398,512,033	10,377,099
Notes Payable (Note 8)	--	--	--	--	--	5,160,000
Accreted Interest (Note 8)	314,238	502,737	205,579	--	1,022,554	44,829
Compensated Absences (Note 8)	98,499	147,222	146,703	20,256	412,680	259,286
Other Liabilities and Claims Payable (Note 10)	18,819,050	51,745,248	25,462,564	--	96,026,862	25,019,400
Advances from Other Funds (Note 4)	--	--	--	--	--	63,515,429
Total Noncurrent Liabilities	249,262,200	249,024,459	200,296,719	13,818,033	712,401,411	109,483,320
Total Liabilities	293,055,776	270,603,020	219,049,785	21,795,543	804,504,124	136,213,038
Net Assets						
Invested in Capital Assets, Net of Related Debt	69,154,358	81,269,635	123,789,262	12,974,982	287,188,237	59,013,723
Unrestricted	34,444,431	23,655,219	54,508,525	(5,492,691)	107,115,484	(38,816,706)
Total Net Assets	\$ 103,598,789	\$ 104,924,854	\$ 178,297,787	\$ 7,482,291	\$ 394,303,721	\$ 20,197,017

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



EXHIBIT E-2

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF FUND NET ASSETS TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

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

Amounts related to interfund activity have been eliminated prior to presenting this reconciliation's amounts in Exhibit A

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



CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN THE FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

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

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



EXHIBIT E-4

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

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

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



EXHIBIT E-5

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

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Cash Flows From Operating Activities						
Receipts from Customers	\$ 222,093,899	\$ 51,493,032	\$ 53,581,083	\$ 4,360,361	\$ 331,528,375	\$ 48,754,586
Payments to Suppliers	(196,841,614)	(13,995,116)	(24,847,255)	(5,787,258)	(241,471,243)	(33,265,762)
Payments to Employees	(8,558,201)	(8,258,963)	(8,206,845)	(1,723,998)	(26,748,007)	(3,317,399)
Payments to Other Funds	3,124,094	(9,914,826)	(7,607,414)	--	(14,398,146)	(8,232,154)
Other Receipts or (Payments)	(851,703)	1,061,175	3,017,364	--	3,226,836	209,373
Net Cash Provided By (Used In) Operating Activities	18,966,475	20,385,302	15,936,933	(3,150,895)	52,137,815	4,148,644
Cash Flows From Noncapital Financing Activities						
Transfers In and Government Subsidies	3,614	970,357	(6,761,505)	4,719,983	(1,067,551)	1,167,741
Transfers Out - Other Funds	(723,891)	(878,641)	(1,299,804)	--	(2,902,336)	(2,338,519)
Advances from Other Funds	--	--	--	391,913	391,913	--
Due From Other Funds	--	--	--	--	--	(50,363)
Miscellaneous Receipts	--	--	--	438,376	438,376	(70,633)
Net Cash Provided By (Used In) Noncapital Financing Activities	(720,277)	91,716	(8,061,309)	5,550,272	(3,139,598)	(1,291,774)
Cash Flows From Capital and Related Financing Activities						
Acquisition of Capital Assets	(22,522,599)	(15,443,944)	(20,139,761)	(52,953)	(58,159,257)	(9,283,193)
Proceeds from Bond Sale	--	--	2,069,767	--	2,069,767	5,200,000
Repayments of Revenue, General Obligation Bonds and Capital Leases	(7,447,208)	(5,464,970)	(7,650,522)	(1,448,201)	(22,010,901)	(3,214,179)
Repayments of Notes Payables	--	--	--	--	--	(1,000,000)
Interest Paid on Long-Term Debt	(10,608,673)	(9,756,753)	(6,701,256)	(898,223)	(27,964,905)	(1,108,742)
Net Cash Used In Capital and Related Financing Activities	(40,578,480)	(30,665,667)	(32,421,772)	(2,399,377)	(106,065,296)	(9,406,114)
Cash Flows From Investing Activities						
Interest Earned on Operating Funds	1,444,432	917,679	2,231,903	--	4,594,014	--
Interest Paid on Customers' Deposits	(10,348)	(2,330)	--	--	(12,678)	--
Net Cash Provided By Investing Activities	1,434,084	915,349	2,231,903	--	4,581,336	--
Net Decrease in Cash and Cash Equivalents	(20,898,198)	(9,273,300)	(22,314,245)	--	(52,485,743)	(6,549,244)
Cash and Cash Equivalents at July 1, 2007	30,631,937	61,600,347	61,884,583	--	154,116,867	37,604,881
Cash and Cash Equivalents at June 30, 2008	\$ 9,733,739	\$ 52,327,047	\$ 39,570,338	\$ --	\$ 101,631,124	\$ 31,055,637
Adjustments to Reconcile Operating Income (Loss)						
To Net Cash Provided By (Used In) Operating Activities						
Operating Income (Loss)	\$ 13,692,111	\$ 10,217,382	\$ 9,129,950	\$ (4,360,981)	\$ 28,678,462	\$ (859,153)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Depreciation	10,743,134	7,034,708	8,943,840	2,494,851	29,216,533	10,474,731
Miscellaneous Income	767,598	735,034	2,932,901	--	4,435,533	180,608
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:						
Accounts Receivable	(1,268,705)	455,064	(2,578,552)	1,162,137	(2,210,056)	(1,347,930)
Due From Other Funds	(365,796)	(4,341,832)	(1,646,190)	--	(6,353,818)	(7,476,448)
Due From Component Units	--	--	--	--	--	(62,338)
Due From Other Governments	--	--	--	--	--	(27,451)
Inventories of Material and Supplies	(5,223,824)	(30,514)	60,714	(1,250)	(5,194,874)	76,433
Prepaid Expenses	183,988	55,232	(36,423)	32,030	234,827	22,929
Deferred Expenses	(2,305,131)	300,779	84,463	--	(1,919,889)	(26,702)
Accounts Payable	(10,756,832)	2,329,019	(3,043,707)	(2,737,695)	(14,209,215)	362,575
Accrued Liabilities	502,413	(1,350,462)	(1,261,653)	243,898	(1,865,804)	227,069
Customers' Deposits	685,830	25,362	--	--	711,192	--
Due To Other Funds	11,777,382	148,601	1,235,792	--	13,161,775	109,069
Compensated Absences	19,244	16,414	16,980	(3,885)	48,753	85,676
Unearned Revenue	--	--	--	--	--	(9,351)
Outstanding Liabilities and Claims	515,063	4,790,515	2,098,818	--	7,404,396	2,418,927
Total Adjustments	5,274,364	10,167,920	6,806,983	1,210,086	23,459,353	5,007,797
Net Cash Provided By (Used In) Operating Activities	\$ 18,966,475	\$ 20,385,302	\$ 15,936,933	\$ (3,150,895)	\$ 52,137,815	\$ 4,148,644

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





EXHIBIT F-1

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

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

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



EXHIBIT F-2

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

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

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





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

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



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

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

General Revenues:

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

Changes in Net Assets

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

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



EXHIBIT G-2

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



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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Virginia (City) was founded by William Byrd in 1737, established as a town in May 1742 and incorporated as a City on July 19, 1782. The City operates on a Strong Mayoral-Council form of government and provides all municipal services to its residents. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Therefore, the City's financial reporting entity is defined and its financial statements are presented in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which defines the distinction between the City as a primary government and its related entities. Accordingly, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, hereafter referred to as the Reporting Entity. The City has two types of component units – blended and discrete. The blended component units are separate legal entities, in substance, that are part of the City's operations; thus, financial data from these units are combined with that of the City and reported in the appropriate fund type. Each blended component unit has a June 30 fiscal year-end. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end except for the Richmond Redevelopment and Housing Authority, which has a September 30 year-end.

Component Units

Blended Component Units:

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

The Richmond Retirement System

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

Advantage Richmond Corporation

The purpose of the ARC is to assist the City, when authorized by the City Council in acquiring, constructing, renovating, equipping, maintaining and operating public buildings and other public structures for or on behalf of the City and in providing financing for such activities. Complete financial statements for Advantage Richmond Corporation may be requested at 900 East Broad Street, Richmond, VA 23219.



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

Discretely Presented Component Units:

The Component Unit columns in the government-wide financial statements comprise financial data on the City's discretely presented component units. The governing bodies of all Component Units are appointed by the City Council, except the School Board of the City of Richmond, which is elected. The following Component Units are included in the Reporting Entity because they are financially accountable to the City.

The School Board of the City of Richmond (School Board)

The School Board administers the Richmond Public School system. The City Council approves the School Board's annual operating budget and provides a major portion of the funding through annual appropriations. Complete financial statements of the School Board may be obtained from the administrative offices located at 301 North Ninth Street, Richmond, VA 23219.

Proprietary Component Units

Richmond Ambulance Authority (RAA)

RAA provides emergency and non-emergency medical care and transportation services for the City. The City annually provides significant operating subsidies to RAA. Complete financial statements for RAA may be requested at Post Office Box 26286, Richmond, VA 23260.

Port of Richmond Commission (Port)

The Port operates a deepwater ocean-going vessel facility. Although the Port operates independently, City Council appoints the Board of Commissioners. The City has provided annual operating subsidies in prior fiscal years and it would be misleading to exclude the Port from the City's reporting entity. Complete financial statements for the Port may be obtained from the administrative offices located at 5000 Deepwater Term. Rd., Richmond, VA 23234.

Richmond Behavioral Health Authority (RBHA)

RBHA provides behavioral health services to residents of the City under Sections 15.1-1676 of the *Code of Virginia* (1950), as amended. The City annually provides significant operating subsidies to RBHA. Complete financial statements for RBHA may be obtained from the administrative offices located at 501 S. 5th Street, Richmond, VA 23224.

Richmond Redevelopment and Housing Authority (RRHA)

RRHA is responsible for operating a low-rent housing program, which provides housing for eligible families, for operating redevelopment and conservation programs in accordance with the City's Master Plan and for the delivery of services to citizens of low-rent housing and urban renewal areas through the encouragement and development of social and economic opportunities. The City Council appoints the Commissioners of RRHA and has some financial responsibility for RRHA's operations. RRHA's September 30, 2007 year-end financial statements are included within the City's component unit combining financial statements. Complete financial statements for RRHA may be obtained from the administrative offices located at 901 Chamberlayne Avenue, Richmond, VA 23220.

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

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



Broad Street Community Development Authority (CDA)

The CDA is responsible for financing certain improvements in connection with the proposed development and redevelopment within the downtown area that will benefit the citizens of the City, such as parking and street improvements. The CDA is governed by a board of five voting directors and three ex-officio, nonvoting directors, all of whom are appointed by the City Council. Complete financial statements for the CDA may be obtained from the administrative offices located at One James Center, 901 East Cary Street, Richmond, VA 23219.

Related Organizations:

The City Council is also responsible for appointing the members of the boards of other organizations, but the City's accountability does not extend beyond making these appointments.

The following organizations are related organizations, which have not been included in the reporting entity.

- Richmond Metropolitan Authority (RMA) – Six of the eleven directors of the RMA are appointed by City Council. The City has no financial responsibility for the operations of the RMA.
- Economic Development Authority of the City of Richmond (EDA) - The Commissioners of the EDA are appointed by the City Council, but the City provides no funding, has no obligation for the debt issued by the EDA, and cannot impose its will upon the EDA.

Joint Venture

Greater Richmond Transit Co. (GRTC):

The City retains an ongoing and financial responsibility for the GRTC, which under a joint venture agreement between the City and the County of Chesterfield, Virginia, provides mass transportation for passengers on a regional basis for the purpose of providing continuous service within and between jurisdictions. GRTC, a public service corporation incorporated on April 12, 1973, is governed by a six-member board of directors of which three are appointed by the City and three by the County of Chesterfield.

Fare revenues and route subsidies pay all costs with each locality participating in the GRTC's costs only to the extent that each locality chooses to have the GRTC operate routes within its jurisdiction.

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

Jointly Governed Organizations:

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

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



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

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget, showing estimated revenues and estimated expenditures, to the governing bodies, if the Commission's budget contains estimated expenditures, which exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their financial interest in the Commission. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the City and Counties may, at their discretion, appropriate funds necessary to fund the deficit. The City provided \$12,750 in funding to the Commission during the fiscal year ended June 30, 2008.

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

The *Greater Richmond Partnership (GRP)* is comprised of members from the City and the counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the GRP's purpose is to further economic development of the metropolitan Richmond area. The City of Richmond has one member on the board that is an elected official (Pantele is currently serving), and one alternate member (the chief administrative officer of the City). The City's contribution for FY2008 was \$390,000.

The *Richmond Metropolitan Convention and Visitors Bureau (RMCVB)* serves the City and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The City has three representatives serving on RMCVB's Board of Directors and contributed \$937,180 to the RMCVB for the year ended June 30, 2008.

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

The *Greater Richmond Convention Center Authority (GRCCA)*, a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authority Act, Chapter 56 of Title 15.2, *Code of Virginia*. The GRCCA was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center. The political subdivisions participating in the incorporation of the GRCCA are the City and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond. The City contributed \$5,558,844 in transient occupancy tax revenue and \$1,689,697 of general funds for the year ending June 30, 2008.

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



B. Basis of Presentation

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and the fund financial statements, including the major individual funds of the governmental funds (General and Debt Service Funds) and proprietary funds (Gas, Water, and Wastewater Funds), as well as the fiduciary funds, and the Component Units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on an aggregated basis by column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (Public Safety, Public Works, Human Services, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by directly related program revenues, operating and capital grants, and contributions. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. The City does not allocate indirect expenses. Operating grants presented include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining statements. The governmental fund financial statements are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

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

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



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

Governmental Funds

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

- *General Fund (Major Fund)* – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- *Debt Service Fund (Major Fund)* – Debt Service Fund accounts for the resources accumulated and payments made by principal and interest on long-term general obligation debt of Governmental Funds.
- *Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. Each fund is established on a functional basis and may include one or more grants or other funding sources.
- *Capital Projects Funds* – The Capital Fund is used to account for budgeted capital projects (acquisition or construction of major facilities, other than those financed by Proprietary Funds and Trust Funds) approved by City Council. Its principal sources of funding are the sale of General Obligation Bonds and transfers from the Reserve Fund for Permanent Public Improvements.
- *Permanent Funds* – Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City programs.

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following Proprietary Funds:

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

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



The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to or on November 30, 1989 in accounting and reporting for its business-type activities and enterprise funds. Under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*, the City elected not to apply FASB pronouncements issued after November 30, 1989.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments.

- *Trust Funds* – For accounting measurement purposes, the Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. The Trust Funds consist of the City's Retirement Plan and the City's Deferred Compensation Plan.
- *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. The Agency Funds consist of the assets and liabilities of several organizations for which the City serves as fiscal agent, such as the Department of Welfare, the Department of Recreation and Parks, the Department of Public Works and the Law Department.

Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds' Balance Sheet and total net assets for governmental activities as shown on the government-wide Statement of Net Assets is presented in a schedule accompanying the Governmental Funds' Balance Sheet. The asset and liability elements which comprise the reconciliation differences stem from Governmental Funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net assets for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus wherein only current assets and current liabilities are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of Government Funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Governmental Funds' financial statements (General, Debt Service and Other) are reported on the flow of current financial resources measurement focus and the modified accrual basis of accounting wherein the focus is on the determination of, and changes in, financial position and only current assets and current liabilities are included on the balance sheet.



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

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

The government-wide financial statements are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales and income taxes are recognized when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating revenues and expenses in the Proprietary Funds result from providing goods and services in connection with their principal ongoing operations (e.g., charges for services). Operating expenses for the Enterprise and Internal Service Funds include the cost of services, administrative expenses, contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Pension Trust Funds' contributions from members, recorded under the full accrual basis of accounting, are recorded when the employer makes payroll payments on behalf of Plan members. The Agency Funds use the full accrual basis of accounting and do not measure the results of operations.

D. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents include cash on hand, checking and savings accounts and certificates of deposit (which generally have maturities of less than three months at the time of acquisition).

E. Investments

Investments of the Fiduciary Funds are reported at fair value as determined by management based on quotations obtained from readily available sources.

F. Allowances for Doubtful Accounts

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

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



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

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

G. Inventories

Inventories on hand at June 30, 2008 have been reported on the government-wide Statement of Net Assets. Inventories of consumable supplies are recorded at cost determined on a first in, first out basis. Inventories in the Proprietary Funds are stated at the lower of cost (determined by using weighted average cost or first-in, first-out methods) or market.

H. Capital Assets

Capital assets and improvements include substantially all land and works of art/historical treasures, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a minimum useful life of 3 years and having an initial cost of more than \$5,000. Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the government-wide financial statements. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, parkland and improvements.

Capital assets are stated at historical cost or estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is reported. Donated capital assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the discounted present value of net minimum lease payments at the inception of the lease. Accumulated depreciation and amortization are reported as reductions of capital assets.



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

Capital asset depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Governmental:

Infrastructure	20 to 50 years
Buildings and structures	20 to 50 years
Equipment and other assets	3 to 20 years

Enterprise Funds:

Gas production, distribution, equipment	17 to 34 years
Water pumping, treatment, distribution, equipment	20 to 50 years
Sewage gathering and treatment equipment	20 to 50 years
Coliseum	3 to 20 years
Landmark Theatre	3 to 20 years
Cemeteries	3 to 20 years

Enterprise Funds:

Buildings and structures	20 to 50 years
Equipments and other assets	3 to 20 years

I. Construction Period Interest

The City capitalizes, during the construction period only, the net interest cost associated with the acquisition or construction of major additions in the business-type activity funds. During fiscal 2008, interest costs of approximately \$29,962,000 were incurred with approximately \$2,078,000 being capitalized.

J. Compensated Absences

The City's general employees earn vacation pay in varying amounts and can accumulate vacation pay based on length of service. All general employees earn sick pay at the same rate regardless of the length of service. Fire shift employees earn both vacation pay and sick pay based on length of service and employment date.

Earning rates for vacation pay and sick pay and maximum vacation accumulation hours are as follows:

	Vacation Pay Bi-weekly Earning Rate Min-Max Hours	Sick Pay Bi-weekly Earning Rate Hours	Maximum Vacation Accumulation Hours
General employees	3.7 - 7.4	3.7	192.0 - 384.0
Fire shift employees	5.2 - 11.1	5.2 - 7.4	268.8 - 576.0

Maximum vacation accumulated hours is payable at the date of separation or available for use at the end of any calendar year. Employees leaving City employment are paid all accumulated unused vacation pay up to the maximum limit. The unused balance of sick leave is not paid at the date of separation.

The City and School Board accrue compensated absences (annual and sick leave benefits) when vested. The current portions of the Governmental Activities' compensated absences liabilities are recorded as accrued liabilities when they are expected to be liquidated within the next year. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned

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

K. Bond Discounts/Issuance Costs

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

L. Judgment and Claims

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

M. Restricted Assets

In accordance with applicable covenants of certain enterprise fund bond issues, cash and other assets have been appropriately restricted. Cash has also been restricted to the extent of customers' deposits, unexpended bond proceeds or by grantor's requirements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

N. Reserved and Designated Fund Balance

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditure or is legally segregated for a specific future use. Designations of portions of the fund balance are established to indicate plans for financial resource utilization in a future period (See Note 9).

O. Internal and Intra-entity Activity

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Assets to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the Primary Government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government-wide financial statements, except for net residual amounts due between governmental and business type activities, which are presented as internal balances. Also, eliminations are made in the Statement of Activities to remove the "doubling-up" effect of Internal Service Fund activity.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the Primary Government and the discretely presented Component Units are reported as if they were external transactions.



CITY OF RICHMOND, VIRGINIA
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P. Advances to Other Funds

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

Q. Rate Stabilization

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

R. Amortization of Debt Defeasance Gains/Losses

Gains and losses resulting from prior year defeasance of Utilities debt (included in Enterprise Funds) are recorded as deferred expenses and are amortized over the shorter of the remaining life of the old debt or the life of the new debt, whichever is shorter.

S. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

T. Identification of Major Revenue Sources Susceptible to Accrual

In the Governmental Funds, property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

U. Permanent Funds

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

V. Unearned Revenue

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

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

2. REAL AND PERSONAL PROPERTY TAXES

Real and personal property taxes are levied on a calendar year basis on January 1, the assessment date, with an assessed value as of that date. Real property taxes become a lien on the property as of assessment. Personal property taxes on motor vehicles acquiring or losing situs (location where property is principally parked or garaged) throughout the year are prorated on a monthly basis. For partial months in situs, assessments, abatements and refunds are rounded to the nearest full month.

Personal property taxes may be paid without penalty and interest on or before May 1, or 60 days from the date the vehicle acquired situs in Richmond. Real estate taxes may be paid without penalty and interest on or before June 15. Penalty for late payment is 10% or \$10, whichever is greater, no to exceed the full amount of the tax; interest on the unpaid balance is 10% per annum.

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

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Primary Government

At June 30, 2008, cash on hand, cash items and petty cash totaled approximately \$24,000 and the carrying value of the City's demand deposits, savings accounts and time certificates of deposit with financial institutions totaled \$2,869,442 and is included in cash and cash equivalents. The bank balance of the City's deposits, totaling \$10,535,593, was covered by federal depository insurance or was insured in accordance with provisions of the Virginia Security for Public Deposit Act (the Act). This Act requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral in the amount of 50% of excess deposits, while savings and loans are required to collateralize 100% of excess deposits. The State Treasury Board can assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by financial institutions. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the general fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the general fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis. All cash classified as restricted are related to grantor or debtor requirements.

B. Richmond Retirement System

Cash and Investments

On June 30, 2008, the carrying amount of the System's deposits with financial institutions was \$1,314,948 and the bank balance was \$2,398,407. All funds deposited in banks are protected under the provisions of the Virginia Securities for Public Deposit Act (the Act). This Act requires financial institutions holding public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation to pledge collateral in the amount of 50 percent of excess deposits, and savings and loans to pledge collateral in the amount of 100 percent of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board can assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default, and is



CITY OF RICHMOND, VIRGINIA
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responsible for: (1) monitoring compliance with the collateralization; (2) reporting requirements of the Act and (3) for notifying local governments of compliance by financial institutions.

Authorized Investments

The System invests in obligations of the U.S. government or its agencies, approved money market funds, other banks and savings and loan associations, not exceeding federal insurance coverage, and commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's. The System is also authorized to invest in corporate bonds and notes rated A, or better, by Moody's or Standard & Poor's. The System is authorized to invest in both U.S. equities and international equities as well as Real Estate Investment Trusts (REITs). Each investment manager is authorized to invest no more than 5% of its holdings, at cost, in equity securities of a single issuer at the time of purchase. The System has eight types of investments: U.S. government and agency obligations, domestic bonds and notes, domestic stocks, international stocks, international bonds and notes, REITs, hedge funds, and emerging market debt.

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

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

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

CITY OF RICHMOND, VIRGINIA
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Custodial Credit Risk

The System does not have exposure to custodial credit risk because the cash collateral received on each loan was invested together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. At June 30, 2008, the market value of securities on loan and cash collateral, that is included in the above amounts, was as follows:

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

Concentration of Credit Risk

The System does not have exposure to concentration of credit risk. The System does not have any investment in any one issuer that represents 5 percent or more of the total investments.

Credit Risk

The System has an investment policy for credit risk. The domestic fixed income investments should emphasize high-quality and reasonable diversification. Investments shall not be rated below BBB-, unless specifically allowed in the managers' guidelines. For purposes of calculating compliance with the credit constraints, if split rated, the lowest rating will apply. The table on the following page details the System's credit risk at June 30, 2008.



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

NR – Not Rated
NA – Not Available

Foreign Currency Risk

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

CITY OF RICHMOND, VIRGINIA
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Interest Rate Risk

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

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

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



CITY OF RICHMOND, VIRGINIA
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C. Investments

Investment Policy:

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

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

Custodial credit risk for deposits:

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

Custodial credit risk for investments:

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

Concentration Risk:

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

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

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

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

D. Securities Lending Program

RRS lends securities to firms on a temporary basis through its custodian bank, State Street Corporation (the Custodian). During the fiscal year, the Custodian loaned, at the direction of RRS, its securities and received cash, U.S. Government securities, and irrevocable letters of credit as collateral. The Custodian did not have the ability to pledge or sell collateral delivered absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

RRS did not impose any restrictions during the fiscal year on the amount of the loans that the Custodian made on its behalf, and the Custodian indemnified RRS by agreeing to purchase replacement securities, or return the cash collateral, in the event the borrower failed to return the loaned security. There were no such failures by any borrowers during the year, nor were there any losses during the fiscal year resulting from the default of a borrower or the Custodian. RRS and borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The average duration of the investment in the pool for the year ended June 30, 2008 was 42 days, with an average weighted maturity of 396 days. As the loans are terminable at will, the duration of the investments generally did not match the duration of the investments made with the cash collateral. The collateral held and the fair value of the securities on loan as of June 30, 2008 was \$96,090,802 and \$93,432,172, respectively. The cash collateral is recorded as both an asset and a liability on RRS's financial statements. Securities and letters of



CITY OF RICHMOND, VIRGINIA
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credit received as collateral at June 30, 2008 are not recorded in the Statement of Plan Net Assets, as the RRS cannot sell or pledge the collateral received absent a borrower default.

At year-end, the RRS has no credit risk by borrowers because the amounts the RRS owes the borrowers exceed the amounts the borrowers owe the RRS. The gross earnings for securities lending were \$4,228,226 and the related expenses were \$3,461,837 in borrower's rebates and \$306,545 in agent fees, netting \$459,844 in securities lending income.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended June 30, 2008 consisted of the following:

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

CITY OF RICHMOND, VIRGINIA
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due or (3) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

5. DUE FROM AND DUE TO OTHER GOVERNMENTS

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

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

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

6. NOTE RECEIVABLE

Note receivable in the General Fund consists of:

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

7. CAPITAL ASSETS

Primary Government - Governmental Activities

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

Depreciation expense was charged to functions as follows:

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

CITY OF RICHMOND, VIRGINIA
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June 30, 2008



Primary Government - Business-type Activities

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



CITY OF RICHMOND, VIRGINIA
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June 30, 2008

8. OBLIGATIONS

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

Primary Government - Governmental Activities

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

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

**Primary Government -
Governmental Activities**

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

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

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



**Primary Government -
Business-Type Activities**

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

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

General Obligation Bonds and Notes are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. General Obligation Serial Equipment Notes and obligations under capital leases are payable from General Fund and Internal Service Fund revenues. The allocation of debt between governmental activities and business-type activities is recorded on a debt by debt basis and the specific needs of the City at the time and are disclosed in the related offering document.



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

Authority to Issue Debt

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

Details of Bonds and Notes Outstanding:

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

CITY OF RICHMOND, VIRGINIA
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The annual requirements to amortize to maturity all long-term debt outstanding (General Obligation Bonds, General Obligation Serial Equipment Notes, Virginia Public School Authority Bonds, Public Utility Revenue Bonds, Certificates of Participation and Section 108 Promissory Notes Payable), including interest payable is as follows:

Governmental Activities:

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

Business-type Activities:

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



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

- A \$700,000 equipment 10-year lease purchase agreement to finance a portion of the costs of upgrades and replacements to the heating, ventilation, and air conditioning systems of the Landmark Theatre.
- A \$1,670,000 equipment lease purchase agreement to finance upgrades and replacements to the heating, ventilation, and air conditioning systems of the Richmond Coliseum.

The assets acquired through capital leases are as follows:

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

Future minimum lease payments are as follows:

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

Debt issued during the fiscal year ended June 30, 2008

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

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

CITY OF RICHMOND, VIRGINIA
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June 30, 2008



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

On December 6, 2007, the City sold \$65,000,000 of seasonal General Obligation Revenue Anticipation Notes through a competitive bid. UBS Securities, LLC was the purchaser of the Notes. Prior to issue, Moody's, Standard & Poor's and Fitch Ratings gave these notes their highest short-term credit ratings of MIG-1, SP-1+, and F1+, respectively. The coupon interest rate of the notes was 4.00%; however, the City received an upfront premium of \$245,050, thereby making the effective true interest rate cost on the Notes an effective rate of 3.30%. Proceeds of these notes were used to fund ongoing operations and the notes were repaid in full on June 25, 2008.

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

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

The City maintains a \$15.0 million Line with the U.S. Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program. This Program allows communities, such as the City of Richmond, to borrow against future Community Development Block Grants made available by HUD. These HUD Guaranteed loan funds are used for eligible housing rehabilitation projects in programs administered by the Richmond Redevelopment and Housing Authority. No additional borrowings were made under the line during the fiscal year ending June 30, 2008. The City has outstanding four amortizing fixed rate notes, with an aggregate principal balance of \$3,910,000 as of June 30, 2008.

Defeasance of Debt

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

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



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

9. FUND BALANCES

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

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

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

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

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

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

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10. RISK MANAGEMENT

The City's risk management activities are conducted through the Self Insurance Internal Service Fund and have been accounted for in accordance with GASB Statement No. 10, as amended by GASB Statement No. 30 *Risk Financing Omnibus*.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For all retained risks, claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

The City-owned Utilities (Gas, Water and Wastewater Proprietary Funds) are a member of the Associated Electric Gas and Insurance Services, Ltd., a member-owned company based in New Jersey. In exchange for an annual premium, the utilities are provided insurance coverage to a limit of \$35 million per occurrence for excess liability with self-insured retention of \$1,000,000 per occurrence for General and Employers' Liability, and \$1,000,000 per occurrence for Pollution Liability. The utilities are also a member of Energy Insurance Mutual Ltd., which provides excess liability coverage with limits of \$100 million in excess of the \$35 million underlying coverage.

The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities and medical professional liability.

During the fiscal year ended June 30, 2008, premiums for excess coverage and claims paid for self-insured coverage were recognized as revenue in the Risk Management Fund and recorded as expenditures (expenses) in the appropriate Governmental and Proprietary Funds, respectively.

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

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



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11. HEALTH CARE PLAN

The City offers all active employees a Healthcare program to include a Health Maintenance Organization (HMO), a Point of Service Program (POS) and a Preferred Provider Organization (PPO) through the Southern Health organization. Under the HMO, employees must see network physicians, hospital, pharmacies and other network providers for all services.

Networks are not guaranteed and may change during the contract year. Flat dollar co-payments apply to this program. The POS program has the same network as the HMO; however, there is an out-of-network benefit plan that allows employees under the plan to use any provider. Deductibles apply to this program as well as flat dollar and percentage co-payments, depending on the service.

The PPO is only available to employees who live outside the Southern Health service area. If an employee is not eligible for PPO, a companion indemnity program is available. Rates for each program are as follows:

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

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

12. RETIREMENT PLANS

A. General

The City maintains an agent multiple-employer, defined benefit pension plan, Richmond Retirement System (the City Plan), which covers substantially all City employees, certain School Board employees and all RBHA employees, and certain Hospital Authority and Port of Richmond Commission employees. A majority of the employees of the School Board participate in the Virginia Retirement System (VRS), which offers both an agent and a cost sharing multiple-employer retirement plan options to Virginia localities and acts as a common investment and administrative agent for certain political subdivisions in the Commonwealth of Virginia. The City Plan is considered part of the City financial reporting entity and is included in the City's financial statements as a Pension Trust Fund. The payrolls for the fiscal year ended June 30, 2008 for the employees covered by the City Plan and VRS were approximately \$208,321,000 and \$183,208,000, respectively. The total payrolls for the fiscal year ended June 30, 2008 were approximately \$228,277,000 for the City and \$186,866,000 for the School Board.

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B. Richmond Retirement System

I. Plan Description

The RRS Board of Trustees administers the City Plan. City Council is responsible for establishing benefit provisions and funding requirements. Current membership in the City Plan at June 30, 2008 is as follows:

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

The City's plan provides retirement benefits as well as disability benefits. All permanent full time employees must participate in RRS. All benefits vest after 5 years of credited service. All of the funds and assets of the System are credited to a single retirement account. All income from the assets of the System is credited to this account. All System benefits are paid from this account.

A member is eligible for normal retirement on his normal retirement date. Early retirement is permitted at any time within the ten-year period prior to normal retirement date, provided the member has completed five or more years of creditable service or at any age with 30 years of creditable service (general employees) or 25 years of creditable service (police/fire employees).

Police and fire employees may retire at age 50 with five or more years of service; however, the benefit amount will be reduced by 5/12% for each complete month by which retirement precedes the earlier of age 60 or the date on which the employee would have completed 25 years of service. General employees may retire at age 55 with 5 or more years of service; however, in this instance the benefit will be reduced by 5/12% for each complete month by which retirement precedes the earlier of age 65 or the date on which the employee would have completed 30 years of service.

Upon service retirement, a member becomes eligible to receive an annual allowance, payable in equal monthly installments. The annual allowance is computed as follows:
An amount equal to:

- a. General Employees - 1.75% (2% Enhanced Plan) of the member's average final compensation, multiplied by the number of years of creditable service up to 35 years.
- b. Police & Fire Employees - 1.65% of the member's average final compensation, multiplied by his number of years of creditable service up to 35 years. In addition, a supplement of .75% of the member's average final compensation, multiplied by the number of years of creditable service up to 25 years is payable from retirement to age 65.

RRS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Richmond Retirement System, 900 East Broad Street, Room 400, Richmond, VA 23219 or by calling (804) 646-5958.



CITY OF RICHMOND, VIRGINIA
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II. Funding Policy

The City Code of 1993, as amended, requires the City to contribute to the City Plan, annually, an amount as determined by the actuary (expressed as a percentage of payroll) equal to the sum of the "normal contribution" and the "accrued liability contribution." The accrued liability contribution is determined as that amount necessary to amortize the unfunded actuarial accrued liability and any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions, changes in the System provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a closed period not to exceed 30 years, with payments increasing up to 4% per year.

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

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

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

III. Actuarial Method, Significant Assumptions and Legislative Changes

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

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

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

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

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

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IV. Required Supplemental Information - Schedule of Funding Progress

A Schedule of Funding Progress is presented below for the current and preceding two fiscal years. This information is intended to help users assess the funded status of the City Plan and the progress made in accumulating sufficient assets to pay benefits when due.

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	497,450,211	716,031,378	218,581,167	69.47%	163,193,191	133.94%
2007	526,201,340	740,465,173	214,263,833	71.06%	147,897,543	144.87%
2008	544,771,727	765,417,461	220,645,734	71.17%	144,832,611	152.35%

Note: Fiscal years 2006 and 2007 are unaudited.

13. POST-EMPLOYMENT BENEFITS

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

14. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all City employees and permits deferral until future years of up to 100% of salary with a maximum deferral of \$15,500 for calendar year 2007, whichever is less. In calendar year 2008, the maximum deferral amount will be \$15,500. The compensation deferred is not available to employees until termination, retirement, death, an unforeseeable emergency, or a small balance account withdrawal. Employees are eligible to initiate a one-time disbursement of an account if the balance is greater than \$1,000 but less than \$5,000 and neither the employee nor the employer has contributed to the account for at least two years. If the balance is under \$1,000, the participant is automatically notified by ICMA and provided a form to request the distribution. In accordance with the amended provisions of IRC Section 457, which were enacted into law in August 1996 and their subsequent adoption by the City, all assets and income of the plan were transferred to a trust during December 1996, and are held for the exclusive benefit of participants and their beneficiaries. The City is the Trustee for the plan and has contracted with a nongovernmental third party administrator to administer the plan. This plan is reported in accordance with Governmental Accounting Standards Board Statement No. 32 *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* as an Other Employee Benefits Trust Fund.

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



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15. OPERATING LEASES

Operating Leases

The City leases office space, business machines, clinics, apartments for residential programs and vehicles under various operating lease agreements. Except for office space for the City, all City operating lease obligations are subject to annual appropriation of funds. At June 30, 2008, the annual operating lease commitments are as follows:

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

16. CONTINGENCIES, COMMITMENTS, AND OTHER MATTERS

A. Combined Sewer Overflow (CSO)

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

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

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

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B. Grants

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

C. The Peumansend Creek Regional Jail Authority

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

D. RMA's Subordinated Notes Payable

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

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

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

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

E. Gas Utility Enterprise Fund

To ensure continuity of natural gas supplies and transmission facilities, the City's Gas Utility Enterprise Fund has entered into various long-term supply and transmission contracts through the year 2028. The aggregate commitments under these contracts amounted to approximately \$896 million at June 30, 2008.

F. Claims and Judgments

The City is a defendant in lawsuits pertaining to matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts;



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

Required Supplementary Information





EXHIBIT H-1

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

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

(Continued)



EXHIBIT H-1, Continued

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

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

(Continued)



EXHIBIT H-1, Continued

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

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

(Continued)



EXHIBIT H-1, Concluded

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

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



Exhibit H-2

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

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

- The General Fund, Special Revenue, and Debt Service Funds have legally adopted annual budgets. Capital Projects Funds have five-year spending plans which are legally adopted on an annual basis. On or before April 7, the City Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing those expenditures. The Special Revenue Fund consists of multiple funds; however, the Fund is budgeted in total rather than by individual funds. In addition, the Capital Projects Fund is budgeted the same as the Special Revenue Fund. Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance.
- The level of budgetary control is the department level for the City. The Mayor, Chief Administrative Officer & Deputy Administrative Officers, and Directors/Agency Heads are authorized to transfer budget amounts within departments in the City budget; however, any revisions that alter the total expenditures of any department or agency must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General Fund, Debt Service Fund, Special Revenue Fund, and Capital Projects Funds are principally prepared on the modified accrual basis of accounting.
- Project budgets are utilized in the City Capital Projects Funds. Except for the Capital Projects Funds and the Special Revenue Funds that extend beyond the fiscal year, all appropriations not encumbered nor obligated lapse at year-end for the General Fund. Appropriations for the Capital Projects Funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.

Budgeted amounts are as originally adopted or as amended by the City Council.

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

(Continued)



Exhibit H-2

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

General Government:

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

Public Safety and Judiciary:

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

Culture and Recreation:

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

APPENDIX D

BOOK-ENTRY ONLY SYSTEM



APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of note certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE DESCRIPTIONS IN THIS OFFICIAL STATEMENT OF THE DEPOSITORY TRUST COMPANY, THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES, PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES TO PARTICIPANTS IN DTC, OR TO EACH ACTUAL PURCHASER OF EACH NOTE, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES OR OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS ARE BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON SUCH INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THE CITY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR BANKS, BROKERS, DEALERS, TRUST COMPANIES AND OTHERS THAT CLEAR THROUGH OR MAINTAIN A CUSTODIAL RELATION WITH A DTC PARTICIPANT, EITHER DIRECTLY OR INDIRECTLY, WILL DISTRIBUTE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE NOTES PAID TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE NOTES, OR ANY REDEMPTION OR OTHER NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL SERVE AND ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

APPENDIX E

CONTINUING DISCLOSURE



APPENDIX E

CONTINUING DISCLOSURE

The City has undertaken in Ordinance No. 2009-53-76 of the City Council adopted on May 26, 2009, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchanges Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, by providing certain material event notices required by the Rule. The City's covenants with respect to such continuing disclosure requirements are restated below:

1. **Event Disclosure.** The City shall provide in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") notice of the occurrence of any of the following events with respect to the Notes, if material:
 - a) Principal and interest payment delinquencies;
 - b) Non-payment related defaults;
 - c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d) Unscheduled draws on any credit enhancement reflecting financial difficulties;
 - e) Substitution of credit or liquidity providers, or their failure to perform;
 - f) Adverse tax opinions or events affecting the tax-exempt status of the Notes;
 - g) Modifications to rights of Noteholders;
 - h) Note calls;
 - i) Defeasance of all or any portion of the Notes;
 - j) Release, substitution, or sale of property securing repayment of the Notes; and
 - k) Rating changes.
2. **Termination.** The covenants and obligations of the City specified in Section 1 will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all of the Notes.
3. **Amendment.** The City reserves the right to modify its obligations contained in Section 1 without the consent of the noteholders, provided that such modification complies with the Rule as it exists at the time of modification. The City shall, within a reasonable time thereafter, send to the MSRB a description of such modification(s).
4. **New Central Filing Repository.** In accordance with changes to the Rule promulgated by the SEC, as of July 1, 2009, the City will file its continuing disclosure information solely with the MSRB under its Electronic Municipal Market Access ("EMMA") System. Noteholders will be able to access continuing disclosure information filed with the MSRB at www.msrb.org.
5. **Additional Disclosure.** The City may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the City shall not incur any obligation to continue to provide, or to update, such additional information or data.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL



APPENDIX F

Set forth below is the proposed form of opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Notes.

Mayor and City Council
City of Richmond
Richmond, Virginia

City of Richmond, Virginia
\$_____ General Obligation Revenue Anticipation Notes,
Series 2009

Ladies and Gentlemen:

We have acted as bond counsel to the City of Richmond (the "City") in the Commonwealth of Virginia in connection with the issuance by the City of its General Obligation Revenue Anticipation Notes, Series 2009, in the aggregate principal amount of \$_____ (the "Notes"), pursuant to: (i) the Charter of the City (the "City Charter"); (ii) Article VII of the Constitution of the Commonwealth of Virginia (the "Constitution"); (iii) the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended) (the "Act"); (iv) City Council Ordinance No. 2009-53-76, adopted by the City Council (the "Council") on May 26, 2009 (the "Ordinance").

In such connection, we have reviewed the City Charter, the Constitution, the Act, the Ordinance, and the Tax Certificate and Agreement of the City, dated the date hereof (the "Tax Certificate"), certificates of the City and others, an opinion of counsel to the City, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including, without limitation, covenants and agreements of compliance with which it is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the documents described in the second paragraph hereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Act, in anticipation of revenue to be collected by the City, including, without limitation, the revenue to be derived from the collection of real estate taxes and personal property taxes of the City for the fiscal year beginning July 1, 2009, and constitute valid and legally binding obligations

of the City, enforceable in accordance with their terms, to which the faith and credit of the City are pledged for the payment of the principal of and interest on the Notes. The Council of the City is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Notes, to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, ad valorem taxes upon all taxable property within the City, without limitation as to rate or amount, over and above all other taxes authorized or limited by law, sufficient to pay the principal of and interest on the Notes

2. Interest on the Notes is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Notes is excluded from gross income for purposes of taxation by the Commonwealth of Virginia. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Very truly yours,

APPENDIX G

NOTICE OF SALE



APPENDIX G

NOTICE OF SALE

\$70,000,000*
CITY OF RICHMOND, VIRGINIA
GENERAL OBLIGATION
REVENUE ANTICIPATION NOTES
SERIES 2009

Electronic Bids, via the BiDCOMP/Parity Competitive Bidding System (“BiDCOMP/Parity”) only, for the purchase of all, and not less than all, of the \$70,000,000* City of Richmond, Virginia General Obligation Revenue Anticipation Notes, Series 2009 (the “Notes”), will be received until 11:00 A.M., RICHMOND, VIRGINIA TIME, on Wednesday, October 28, 2009 (unless postponed as described herein), by the City of Richmond, Virginia (the “City”).

Instructions on how to submit a bid via BiDCOMP/Parity are provided for the convenience of prospective bidders in Attachment A of this Notice of Sale.

Preliminary Official Statement

*The City has authorized the preparation and distribution of a Preliminary Official Statement dated October 20, 2009 (the “Preliminary Official Statement”) containing information relating to the Notes. This Notice of Sale and the Preliminary Official Statement referred to above are available on the Internet at www.i-Dealprospectus.com. See **Attachment A** for instructions for accessing the Preliminary Official Statement. Additional information concerning the Notes may be obtained by contacting the City’s Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia, at (804) 697-2900.*

The Notes

Security; Authorization and Purpose

The Notes will be general obligations of the City, for the payment of which the City’s full faith and credit are irrevocably pledged. The City Council of the City (the “Council”) is authorized and required by law, unless funds are lawfully available and appropriated for timely payment of the Notes, to levy and collect, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, an ad valorem tax, over and above all other taxes authorized or limited by law and unlimited as to rate or amount, upon all property subject to taxation by the City sufficient to pay the principal of and interest on the Notes, which tax shall be in addition to all other taxes authorized to be levied in the City.

The Notes will be issued pursuant to Article VII of the Constitution of the Commonwealth of Virginia, the provisions of the City Charter, the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended), and an ordinance adopted by the Council on May 26, 2009 (Ordinance No. 2009-53-76).

*Preliminary, subject to revision twice: once prior to bidding as described “Changes to Bid Date, Closing Date, Principal Amount-Changes to Preliminary Principal Amount” and a second time after bidding as described under “Changes to Bid Date, Closing Date, Principal Amount-Changes to Revised Principal Amount.”

The proceeds of the Notes will be used for the ongoing operations of the City, including salary, wages and other municipal expenses.

Details of Notes; Book Entry Only

The Notes will be dated their date of issuance and delivery, anticipated to be November 10, 2009 and will bear interest from such date payable at maturity on June 24, 2010. Interest on the Notes will be calculated on a basis of a 360-day year of twelve 30-day months. *The Notes will not be subject to redemption prior to maturity.* The Notes will be issued by means of a book-entry system with no distribution of physical Note certificates made to the public. One Note certificate for the Notes will be issued as a fully registered note in book-entry form payable to The Depository Trust Company, New York, New York ("DTC") or its nominee, and immobilized in its custody. The book-entry system will evidence beneficial ownership of the Notes in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Notes will be payable by U.S. Bank National Association, Richmond, Virginia, as registrar and paying agent (the "Paying Agent"), to DTC or its nominee as registered owner of the Notes. Reference is made to the Preliminary Official Statement relating to the Notes for the applicable provisions relating to the transfer of beneficial ownership, manner of redemption, the responsibilities of DTC participants and the right of the City to discontinue the book entry only system.

Changes to Bid Date, Closing Date, Principal Amount

Change of Bid Date and Closing Date

The City reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on www.tm3.com ("TM3"). Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Davenport & Company LLC, at (804) 697-2900 by 12 NOON, RICHMOND, VIRGINIA TIME, at least one business day prior to the announced date for receipt of bids. Refer to Attachment A of the Notice of Sale for the Summary Bidding Schedule.

A postponement of the bid date will be announced via TM3 not later than 4:00 P.M., RICHMOND, VIRGINIA TIME, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by NOON, RICHMOND, VIRGINIA TIME, at least one business day prior to such alternative date for receipt of bids.

On any such alternative date and time for receipt of bids, the City will accept electronic bids for the purchase of the Notes, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

The City may change the scheduled delivery date for the Notes by notice given in the same manner as that set forth for a change in the date for the receipt of bids. See "Delivery of the Notes" below.

Changes to Preliminary Principal Amount

The preliminary principal amount of the Notes (the "Preliminary Amount") may be revised before the viewing of electronic bids for the purchase of the Notes. Any such revisions (the "Revised Amount") WILL BE ANNOUNCED ON TM3 NOT LATER THAN 4:00 P.M., RICHMOND, VIRGINIA TIME, ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amount will constitute the Revised Amount. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNT. Prospective bidders may request notification by facsimile transmission of any revisions in Preliminary Amount by so advising and furnishing, in writing, the name of the contact person and both their telephone and telecopier numbers to Davenport & Company LLC at (804) 697-2900 by 12 NOON, RICHMOND, VIRGINIA TIME, at least one business day prior to the sale date.

Changes to Revised Principal Amount

After selecting the winning bid, the City will determine the final principal amount of the Notes (the "Final Amount"). In determining the Final Amount, the City will not reduce or increase the Revised Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATE BID OR THE INITIAL REOFFERING PRICE (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNT WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Notes. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of notes from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Price. The interest rate specified by the successful bidder and the Initial Reoffering Price will not change. The Final Amount and the adjusted bid price will be communicated to the successful bidder by 10:00 A.M., RICHMOND, VIRGINIA TIME, on the date following the sale.

Electronic Bidding and Bidding Procedures

Registration to Bid

All prospective bidders must be contracted customers of i-Deal's BiDCOMP/Parity Competitive Bidding System. If you do not have a contract with BiDCOMP/Parity, call (212) 849-5021 to become a customer. By submitting a bid for the Notes, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Notes. By registering to bid for the Notes, a prospective bidder is not obligated to submit a bid in connection with the sale.

If any provisions of this Notice of Sale shall conflict with information provided by i-Deal as approved provider of electronic bidding services, this Notice of Sale shall control. Instructions included in **Attachment A to Appendix F** are provided for convenience only and are subject to change from time to time by i-Deal and BiDCOMP/Parity, as the case may be. Further information about i-Deal and BiDCOMP/Parity, including qualification, registration, rules and any fee charged, may be obtained from i-Deal, (212) 849-5021 or i-Dealprospectus.com.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via BiDCOMP/Parity as described in the attached instructions. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access BiDCOMP/Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the City nor i-Deal shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor i-Deal shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by i-Deal. The City is using BiDCOMP/Parity as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Notes. The City is not bound by any advice and determination of BiDCOMP/Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via BiDCOMP/Parity are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, it should telephone i-Deal and notify the Interim Director of Finance of the City by facsimile at (804) 646-6388. After receipt of bids is closed, the City, through BiDCOMP/Parity will indicate the apparent successful bidder. Such message is a courtesy only for viewers, and does not constitute the award of the Notes. Each bid will remain subject to review by the City to determine its true interest cost and compliance with the terms of this Notice of Sale and to award the Notes.

Good Faith Deposit

The successful bidder of the Notes, as indicated on BidCOMP/Parity, shall submit a good faith deposit in the amount of \$700,000.00 (the "Good Faith Deposit") for the winning bid on the Notes to the City as provided below. The Good Faith Deposit will secure the City from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the Good Faith Deposit by wire transfer directly to the City upon notification of the preliminary award of the Notes, as indicated on BidCOMP/Parity (the "Preliminary Award"), but in any case, no later than 1:00 P.M. RICHMOND, VIRGINIA TIME, on October 28, 2009. Wire instructions will be provided to the successful bidder by the City upon notification of the Preliminary Award.

The successful bidder shall provide as quickly as it is available, evidence of wire transfer to the City by providing to the City the federal funds reference number. The formal award of the Notes shall not be made until the City has confirmation of receipt of the Good Faith Deposit, and if the successful bidder fails to so deliver the Good Faith Deposit by the time designated above, the City will have the option to withdraw the Preliminary Award and the successful bidder shall be responsible to the City for all consequential damages arising from such withdrawal.

At the time of delivery of the Notes, the Good Faith Deposit will be applied against the purchase price for the Notes or will be retained as liquidated damages upon the failure of the successful bidder to take and pay for the Notes in accordance with the terms of its proposal. The successful bidder shall have no right in or to the Good Faith Deposit if it fails to complete the purchase of, and payment in full of, the Notes for any reason whatsoever, unless such failure of performance shall be caused by an act or omission of the City. No interest will be paid upon the Good Faith Deposit to the successful bidder. Notwithstanding the foregoing, should a successful bidder fail to pay for the Notes at the price and on the date agreed upon, the City retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing. If the City fails to deliver the Notes, then the Good Faith Deposit and any interest earnings will be remitted to the successful bidder as and for full liquidated damages.

Equal Employment Policy

IN ORDER FOR THE BID OF AN UNDERWRITER OR AN UNDERWRITING GROUP (EACH INDIVIDUAL UNDERWRITER OR MEMBER OF AN UNDERWRITING GROUP SHALL BE REFERRED TO AS "AN UNDERWRITER") TO BE ACCEPTED BY THE CITY, AN UNDERWRITER MUST COMPLY WITH THE CITY'S EQUAL EMPLOYMENT POLICY. To signify compliance with this policy, an Underwriter **MUST SUBMIT PRIOR TO THE ANNOUNCED DEADLINE FOR RECEIPT OF BIDS** an EEO-1 form (*typically submitted to the Equal Employment Opportunity Commission and also normally available from your human resources department*) or an HRC-2 form (included as Attachment B to this Notice of Sale) indicating an employment profile that includes at least 10% minority employment. Firms employing fewer than 15 employees are exempt from this requirement and, if applicable, should so state. **COPIES OF THIS FORM MUST BE SUBMITTED BY EACH UNDERWRITER TO THE INTERIM DIRECTOR OF FINANCE PRIOR TO THE ANNOUNCED DEADLINE FOR RECEIPT OF BIDS, 11:00 A.M., RICHMOND, VIRGINIA TIME, ON WEDNESDAY, OCTOBER 28, 2009.** Prospective bidders are encouraged to contact the Interim Director of Finance by phone (804) 646-6395 prior to the bid date regarding any questions concerning compliance with this policy. In the event that an Underwriter with a winning bid fails to fully satisfy the form submission requirement under the City's equal employment policy, the City reserves the right either to reject the bid in whole or, in the case involving an underwriting group, with the agreement of the remaining members of the underwriting group, drop those members that do not comply with this policy.

THE EEO-1 OR THE HRC-2 FORM MUST BE SUBMITTED PRIOR TO THE ANNOUNCED DEADLINE FOR RECEIPT OF BIDS FOR AN UNDERWRITER TO BE CONSIDERED AN ELIGIBLE BIDDER, TO THE INTERIM DIRECTOR OF FINANCE, 10TH FLOOR, ROOM 1000, CITY HALL, 900 E. BROAD STREET, RICHMOND, VIRGINIA 23219 OR BY FACSIMILE TRANSMISSION: (804) 646-6388 (ATTENTION: INTERIM DIRECTOR OF FINANCE).

It is the responsibility of the bidder to confirm receipt by the Interim Director of Finance of any facsimile transmission of the above-mentioned form prior to the bid opening.

Bidding Procedures

Bids must be submitted electronically for the purchase of the Notes (all or none) by means of the City of Richmond, Virginia All or None Bid Form (the "Bid Form") via BiDCOMP/Parity Competitive Bidding System. Bids must be communicated electronically to BiDCOMP/Parity in the office of the Interim Director of Finance not later than 11:00 A.M., RICHMOND, VIRGINIA TIME, on Wednesday, October 28, 2009 unless postponed as described herein (see "Change of Bid Date and Closing Date"). Prior to that time, a prospective bidder may input and save the proposed terms of its bid in BiDCOMP. Once the final bid has been saved in BiDCOMP, select the final bid button in BiDCOMP to submit the bid to BiDCOMP/Parity. Once the bids are communicated electronically via Parity to the Interim Director of Finance, each bid will constitute an irrevocable offer to purchase the Notes on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on BiDCOMP shall constitute the official time. For information purposes only, bidders are requested to state in their bids the interest cost to the City, as described under "Award of the Notes" below, represented by the rate of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via BiDCOMP. No bid will be received after the time for receiving such bids specified above. For detailed instructions on submitting a bid via BiDCOMP/Parity, refer to **Attachment A** of the Notice of Sale.

ALL MEMBERS OF THE UNDERWRITING GROUP MUST BE LISTED AS PART OF THE BID.

Bid Specifications

Bidders are invited to name the rate of interest that the Notes are to bear. A single rate of interest must be provided for all Notes; a zero rate cannot be given and the interest rate shall not exceed three percent (3%). No bid for other than all of the Notes will be considered and no bid offering to pay less than par will be considered.

Each bidder is required to transmit electronically by means of the Bid Form via BiDCOMP/Parity an unconditional bid specifying the rate of interest and the price at which the bidder will purchase the Notes.

Award of the Notes

The City will notify the apparent successful bidder electronically (via BiDCOMP/Parity), as soon as possible after the receipt of bids, that such bidder's bid appears to be the lowest and best bid received which conforms to the requirements of the Notice of Sale, subject to verification. Upon such notice, such successful bidder shall advise the City of the initial reoffering price and yield to the public of the Notes as described below.

ALL BIDS SHALL REMAIN FIRM UNTIL 3:00 P.M., RICHMOND, VIRGINIA TIME, ON THE DATE OF RECEIPT OF BIDS. An award of the Notes, if made, will be made by the City within such four-hour period of time. Unless all bids are rejected, the Notes will be awarded to the bidder whose bid results in the lowest interest cost to the City, based on the Revised Amount described above. In case of a tie, the City may select the successful bidder. The City reserves the right to waive irregularities in any bid and to reject any or all bids.

Closing; Miscellaneous

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of the Notes and shall, within 30 minutes after being notified that such bidder's bid appears to be the apparent winning bid, subject to verification, advise the City in writing (via facsimile or electronic transmission) of the initial public offering price of the Notes (the "Initial Reoffering Price"). The successful bidder must provide the initial public offering prices, as the City will not include in the Official Statement an "NRO" ("not reoffering") designation to the Notes. The successful bidder will be responsible to the City in all respects for the accuracy and completeness of information provided by such successful bidder with respect to

such reoffering. The successful bidder must, by facsimile or electronic transmission or delivery received by the City within 24 hours after notification of the Final Amount, furnish the following information to the City to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Notes are sold at the prices or yields at which the successful bidder advised the City that the Notes were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the City determines is necessary to complete the Official Statement in final form.

Prior to the delivery of the Notes, the successful bidder shall furnish to the City a Certificate Regarding "Issue Price," substantially in a form acceptable to Bond Counsel, establishing that the successful bidder has made a bona fide public offering of the Notes at the initial public offering prices set forth in such certificate and that a substantial amount of the Notes of each maturity was sold to the public (excluding bond houses, brokers and other intermediaries) at such initial public offering price. The City expects the successful bidder to deliver copies of such Official Statement in final form (the "final Official Statement") to persons to whom such bidder initially sells the Notes and to the Municipal Securities Rulemaking Board ("MSRB"). The successful bidder will be required to acknowledge receipt of such final Official Statement, to certify that it has made delivery of the final Official Statement to such repositories, to acknowledge that the City expects the successful bidder to deliver copies of such final Official Statement to persons to whom such bidder initially sells the Notes and to certify that the Notes will only be offered pursuant to the final Official Statement and only in states where the offer is legal.

In the event that the successful bidder has on its own obtained a commitment for a municipal bond insurance policy or other credit enhancement, the City shall indicate in the final Official Statement that the successful bidder has informed the City that credit enhancement is being sought for the Notes. The City will also indicate within the final Official Statement that further information concerning such potential credit enhancement may be obtained through the successful bidder. The City has no obligation to include the identity of the potential credit enhancer or other information with respect to the potential credit enhancer in the final Official Statement. In addition, the City has no obligation to place a statement of insurance on the notes or provide such documentation, or make such covenants or arrangements, as would customarily be provided, made or arranged were the City to obtain a commitment for municipal bond insurance or other credit enhancement on its own.

If the successful bidder obtains a municipal bond insurance policy or other form of credit enhancement, at the same time it provides the initial reoffering price and yield it shall advise the City of the cost of such credit enhancement and whether it will provide to the City, at or before the closing of the Notes, a certificate certifying that (i) the present value of the fees paid for such credit enhancement are less than the present value of the interest reasonably expected to be saved as a result of obtaining such credit enhancement, using the yield on the Notes (determined with regard to the payments for such credit enhancement) as the discount factor for this purpose, and (ii) to the best of its knowledge, such fees were obtained in arm's length negotiations and do not exceed a reasonable charge for the transfer of credit risk. In addition, the successful bidder will cooperate with the City to obtain the necessary certifications from the credit enhancement provider. Failure of the Notes to be so insured or of any such policy to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Notes.

Delivery of the Notes

The Notes are expected to be delivered on or about November 10, 2009 (UNLESS A NOTICE OF A CHANGE IN THE DELIVERY DATE IS ANNOUNCED ON TM3 NOT LATER THAN 4:00 P.M., RICHMOND, VIRGINIA TIME, ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS) in New York, New York, through the facilities at DTC against payment of the purchase price therefor (less the amount of the good faith Deposit) in Federal Funds.

There will also be furnished the usual closing papers, including a certificate signed by the officials who signed the Notes stating that no litigation of any kind is now pending or, to their information, knowledge or belief, threatened to restrain or enjoin the issuance or delivery of the Notes or in any manner questioning the proceedings and authority under which the Notes are issued, or affecting the validity of the Notes.

Legal Opinion

The approving opinions of Lewis, Munday, Harrell & Chambliss, Richmond, Virginia and Orrick, Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished without cost to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the Notes and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion.

CUSIP Number

A CUSIP number will be applied for by the successful bidder with respect to the Notes, but the City will assume no obligation for the assignment or printing of such number on the Notes or for the correctness of such number, and neither the failure to print such number on any of the Notes nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Notes.

Official Statement

The Preliminary Official Statement dated October 20, 2009, and the information contained therein have been deemed final by the City as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the final Official Statement.

The City, at its expense, will make available to the successful bidder, within seven (7) business days of the award of the Notes, a reasonable number of final Official Statements, for delivery to each potential investor requesting a copy of the final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Notes provided that the successful bidder cooperates in a timely manner providing the information required to complete the final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the final Official Statement.

Additional Information

For further information relating to the Notes, reference is made to the Preliminary Official Statement, dated October 20, 2009, prepared for and authorized by the City. Additional information concerning the Notes may be obtained from the City's financial advisor, Davenport & Company LLC, 804- 697-2900.

Dated: October 20, 2009

City of Richmond, Virginia
By: Michael W. Terry
Interim Director of Finance

See Attachment A:

For Internet instructions to access the Preliminary Official Statement via i-Deal

For instructions to submit a bid via the BiDCOMP/Parity System.

See Attachment B for the City's HRC-2 employment profile form.
(mandatory completion and delivery of this form or of form EEO-1 is required prior to bid submission)

Attachment A

INSTRUCTIONS TO VIEW PRELIMINARY OFFICIAL STATEMENT (NO REGISTRATION NECESSARY)

- Go to URL www.i-Dealprospectus.com
- Using Adobe Acrobat Reader you may search and print the document.
- If you do not have Adobe software, it can be downloaded for free at www.i-Dealprospectus.com
- Contact i-Deal Prospectus at 212-849-5024 with questions or problems.

INSTRUCTIONS TO SUBMIT A BID VIA BiDCOMP/Parity

- You must be a contracted customer of i-Deal's BiDCOMP Competitive Bidding System. If you do not have a contract with BiDCOMP, call 212-849-5021 to become a customer.
- In BiDCOMP, select the City of Richmond, Virginia sale among the list of current sales.
- Go to the bid form page. Keep notice of the time clock and be sure to read all bid specifications on bottom.
- Once you have created and saved a bid in BiDCOMP, click the final bid button in BiDCOMP to submit the bid to Parity.
- Upon clicking the final bid button, the bidder will see a message box in BiDCOMP that states: "Do you want to submit this bid to Parity? By submitting the bid electronically via PARITY, you represent and warrant that this bid for the purchase of the Notes is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Notes. The Notice of Sale is incorporated herein by this reference."
- If during bid calculation BiDCOMP warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The BiDCOMP system will submit bids which violate the bid parameters, but the City of Richmond, Virginia does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact BiDCOMP/Parity at 212-849-5021 or with questions or problems.

Summary Bidding Schedule*

<u>Date</u>	<u>Time</u>	<u>Occurrence</u>
October 27, 2009	12:00 Noon	Deadline for prospective bidders to request facsimile notification of Changes in schedule and Preliminary Amount.
	4:00 p.m.	Revisions, if any, to the Preliminary Amount and bid date and delivery date of the Notes given by notification published on TM3 (www.tm3.com).
October 28, 2009	Prior to 11:00 a.m.	Deadline for submission of bids via BiDCOMP/Parity.
	11:00 a.m.	City receives bids via BiDCOMP/Parity. Successful bidder provides initial reoffering prices to City within 30 minutes after being notified that such bidder's bid appears to be the winning bid, subject to verification.
	1:00 p.m.	Deadline for winning bidder to wire the Deposit to the City.
	3:00 p.m.	Bids firm until this time; deadline for City to award the Notes.

*Preliminary, subject to change.

Attachment B*



CITY OF RICHMOND
OFFICE OF MINORITY BUSINESS ENTERPRISE
EMPLOYMENT PROFILE / CERTIFICATION REPORT
INFORMATION SUBMITTED ON THIS REPORT SHOULD BE TYPED OR WRITTEN LEGIBLY
IF REPORT IS NOT COMPLETED IN FULL, YOUR BID/PROPOSAL MAY BE REJECTED

SECTION I - COMPANY IDENTIFICATION

Name of Company_____

Address_____

City_____State_____Zip_____

Telephone No.:_____ Facsimile No.:_____ E-mail_____

Federal ID. No. _____

Name of Parent Company_____

Address_____

City_____State_____Zip_____

Telephone No.:_____ Facsimile No.:_____ E-mail_____

Federal ID No.: _____

If parent company will be involved in providing the service or commodity on the City Contract a consolidated Employment Profile must be submitted.

[Continued]

*Form EEO-1 may be submitted instead of this form. Contact your human resources department to see if your organization has Form EEO-1 on file.

SECTION II - EMPLOYMENT DATA

IF YOU HAVE ATTACHED A CURRENT EEO-1 CHECK THIS BOX AND GO TO SECTION V.

☐

IF YOU HAVE A VALID COMPLIANCE NUMBER, CHECK THIS BOX AND GO TO SECTIONS IV & V.

☐

Otherwise Complete the Grid Below and Sections III & V.

Report all permanent Full-Time Employees including apprentices and on-the-job trainees. Student Interns not part of the Full-Time Staff should not be included. Enter the Appropriate figure on all lines and in all columns. Blank spaces will be considered as Zeros. If your firm has a compliance number that is less than One(1) Year old, skip to Section IV.

Job Categories	Total Columns (1-10)	White Male (1)	Minority Group Male				White Female (6)	Minority Group Female			
			African American Male (2)	Asian American Male (3)	Native American Male (4)	Hispanic American Male (5)		African American Female (7)	Asian American Female (8)	Native American Female (9)	Hispanic American Female (10)
Officials & Managers											
Professionals											
Technicians											
Sales Workers											
Office & Clerical											
Craftsmen (Skilled)											
Operatives (Semiskilled)											
Laborers (Unskilled)											
Service Workers											
TOTALS											

SECTION III - WAIVER NOTIFICATION

Is an Employment Profile Waiver needed? Yes ☐ No ☐

Is Waiver request and documentation attached to bid package? Yes ☐ No ☐

SECTION IV - COMPLIANCE NUMBER FOR BIDS/CONTRACTS

If your firm has a compliance number that was issued within the last year, please complete this section instead of the employment data section.

Compliance Number _____

Pursuant to Section 22-68 (b) of the Code of the City of Richmond the undersigned hereby certifies that its company's minority employment level has not decreased, or otherwise fallen below ten percent (10%) of it's total work force, since the date of its annual EEO-1 or HRC-2 Report. The undersigned understands that this certification is made as part of a bid or proposal, and that this certification will become a provision of any City contract resulting therefrom.

SECTION V - CERTIFICATION BY VENDOR

I CERTIFY THAT THE INFORMATION CONTAINED IN THIS REPORT IS ACCURATE AND PREPARED IN ACCORDANCE WITH THE INSTRUCTIONS.

_____ SIGNATURE OF CERTIFYING OFFICIAL	_____ DATE OF SIGNATURE
_____ PRINTED NAME	(_____)_____ TELEPHONE
_____ TITLE	(_____)_____ FAX

FOR OFFICE USE ONLY:

Date_____

Comments_____

MBE Director _____ ☐ Approved ☐ Not Approved