

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2013



Prepared by the
Chesapeake Department of Finance
Nancy C. Tracy, Director

City of Chesapeake, Virginia

Mission

The employees of the City of Chesapeake are committed to providing quality service to all Citizens equitably, in a responsive and caring manner.

Code of Ethics

We, the employees of the City of Chesapeake, are committed to the highest standards of ethical conduct that reflect:
Responsibility, Honesty, Respect, Fairness, Compassion, Integrity, and Loyalty

Acknowledgments...

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance and various departments who have been assisted by the independent auditors, Cherry Bekaert^{LLP}. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Chesapeake.

The following Finance employees were instrumental in the preparation of this report:

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Tamara Walters
Katherine Williams
Robyn Williford
Jennifer Wilson

It is also appropriate to thank the City Manager, Mayor and Members of City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents
June 30, 2013

	Schedule	Page Number
INTRODUCTORY SECTION:		
Letter of Transmittal		I
Organization Chart		VII
City Officials.....		VIII
GFOA Certificate of Achievement		X
FINANCIAL SECTION:		
Independent Auditors' Report		1
Management's Discussion and Analysis (MD&A).....		6
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position.....	A	26
Statement of Activities	B	27
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet	C	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	D	34
Proprietary Fund Financial Statements:		
Statement of Net Position.....	E	38
Statement of Revenues, Expenses, and Changes in Net Position	F	39
Statement of Cash Flows.....	G	40
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position.....	H	42
Statement of Changes in Fiduciary Net Position	I	43
Other Discretely Presented Component Units:		
Combining Statement of Net Position	J-1	46
Combining Statement of Activities.....	J-2	47
Notes to Basic Financial Statements.....	K	50
1. Summary of Significant Accounting Policies.....		50
2. Deposits and Investments.....		60
3. Accounts Receivable and Payable.....		64
4. Capital Assets.....		67
5. Deferred Inflows of Resources.....		73
6. Long-Term Obligations.....		75
7. Advances and On Behalf Of Payments		86
8. Interfund Balances and Transfers.....		87
9. Leases.....		88
10. Retirement Plans		89
11. Other Postemployment Benefits.....		92
12. Fund Balances		98
13. Deferred Compensation Plan		99
14. Commitments		99
15. Contingent Liabilities.....		100

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2013

	Schedule	Page Number
FINANCIAL SECTION (Continued):		
Notes to Basic Financial Statements (Continued)		
16. Fund Results and Reconciliations		103
17. Subsequent Events		104
18. New Pronouncements.....		105
Required Supplementary Information Other Than MD&A:		
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances – Budget and Actual – General Fund	L-1.....	108
Schedule of Funding Progress – Virginia Retirement System	L-2.....	109
Schedules of Funding Progress – Other Postemployment Benefits	L-3.....	110
Schedules of Employer Contributions – Other Postemployment Benefits.....	L-4.....	111
Note to Required Supplementary Information.....	L-5.....	112
Other Supplementary Information:		
Combining and Individual Fund Schedules:		
Governmental Funds:		
Major Governmental Funds:		
General Fund:		
Schedule of Revenues and Other Financing		
Sources – Budget and Actual	M-1	116
Schedule of Expenditures, Encumbrances, and		
Other Financing Uses – Budget and Actual	M-2	120
Debt Service Fund:		
Schedule of Revenues, Expenditures, and Changes		
in Fund Balance – Budget and Actual	N.....	125
Capital Projects Fund:		
Schedule of Expenditures and Encumbrances –		
Budget and Actual	O.....	128
Nonmajor Governmental Funds:		
Special Revenue and Permanent Funds:		
Combining Balance Sheet.....	P-1.....	134
Combining Statement of Revenues, Expenditures,		
and Changes in Fund Balances	P-2.....	138
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Tax Increment Financing Greenbrier Fund.....	P-3.....	142
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Tax Increment Financing South Norfolk Fund	P-4.....	143
Schedule of Revenues, Expenditures and Other		
Financing Sources (Uses) – Budget and Actual –		
Virginia Public Assistance Fund.....	P-5.....	144

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2013

	Schedule	Page Number
FINANCIAL SECTION (Continued):		
Non-major Governmental Funds (Continued):		
Special Revenue and Permanent Funds (Continued):		
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Community Services Fund	P-6.....	145
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Conference Center Fund	P-7.....	146
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Chesapeake Juvenile Services Fund	P-8.....	147
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Interagency Consortium Fund	P-9.....	148
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – E-911 Operations Fund	P-10.....	149
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Parks and Recreation Fund	P-11.....	150
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Fee Supported Activities Fund	P-12.....	151
Schedule of Revenues and Other Financing Sources – Budget and Actual – Grants Fund, Community Development Fund, Open Space Agriculture Preservation Fund, Proffers Fund, and Housing Trust Fund	P-13.....	152
Schedule of Expenditures and Encumbrances – Budget and Actual – Grants Fund	P-14.....	153
Schedule of Expenditures and Encumbrances – Budget and Actual – Community Development Fund	P-15.....	154
Schedule of Expenditures and Encumbrances – Budget and Actual – Open Space Agriculture Preservation Fund	P-16.....	155
Internal Service Funds:		
Statement of Net Position	Q-1.....	158
Statement of Revenues, Expenses, and Changes in Net Position	Q-2.....	159
Statement of Cash Flows	Q-3.....	160
Fiduciary Fund:		
Agency Fund:		
Statement of Changes in Assets and Liabilities – Special Welfare Fund	R.....	163

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2013

	Schedule	Page Number
FINANCIAL SECTION (Continued):		
Chesapeake Public Schools Component Unit:		
Balance Sheet – Governmental Funds.....	S-1.....	167
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	S-2.....	168
Statement of Fiduciary Net Position.....	S-3.....	170
Statement of Changes in Fiduciary Net Position.....	S-3A.....	171
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Schools’ General Fund.....	S-4.....	172
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Schools’ Food Services Fund.....	S-5.....	173
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Schools’ Textbook Fund.....	S-6.....	174
Other Component Units:		
Combining Balance Sheet and Statement of Net Position.....	T-1.....	176
Statement of Revenues, Expenditures, and Changes in Fund Balance – Chesapeake Mosquito Control Commission.....	T-2.....	177
Statement of Revenues, Expenses, and Changes in Net Position – Chesapeake Port Authority.....	T-3.....	178
Statement of Cash Flows – Chesapeake Port Authority.....	T-4.....	179
STATISTICAL SECTION:		
Financial Trends Information:		
Net Position by Component.....	Table 1.....	182
Changes in Net Position.....	Table 2.....	184
Fund Balances, Governmental Funds.....	Table 3.....	191
Statement of Changes in Fund Balances, Governmental Funds.....	Table 4.....	192
Revenue Capacity Information:		
Assessed and Estimated Actual Value of Taxable Property.....	Table 5.....	194
Direct and Overlapping Property Tax Rates.....	Table 6.....	195
Principal Property Taxpayers.....	Table 7.....	196
Property Tax Levies.....	Table 8.....	197
Property Tax Levies and Collections.....	Table 9.....	199
Debt Capacity Information:		
Ratios of Outstanding Debt by Type.....	Table 10.....	200
Ratios of Outstanding General Bonded Debt – Governmental Type.....	Table 11.....	202
Debt Affordability Indicators.....	Table 12.....	203
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures.....	Table 13.....	204
Ratio of Bonded Debt Expenditures to Local Revenues.....	Table 14.....	205
Direct and Overlapping Governmental Activities Debt.....	Table 15.....	206
Legal Debt Margin Information.....	Table 16.....	207
Revenue Bond Coverage Water and Sewer Systems and Chesapeake Transportation System.....	Table 17.....	208

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2013

	Schedule	Page Number
Demographic and Economic Statistics.....	Table 18.....	209
Principal Employers	Table 19.....	210
Operating Information:		
Municipal Employment Statistics	Table 20.....	211
Full-time Equivalent City Government Employees by Function/Program	Table 21.....	213
Operating Indicators by Function/Program.....	Table 22.....	214
Capital Asset Statistics by Function/Program.....	Table 23.....	216
COMPLIANCE SECTION:		
Schedule of Expenditures of Federal Awards	U-1.....	219
Notes to Schedule of Expenditures of Federal Awards.....	U-2.....	222
Schedule of Findings and Questioned Costs	U-3.....	223
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		227
Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by OMB Circular A-133		229

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Chesapeake
VIRGINIA

INTRODUCTORY SECTION



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Chesapeake
VIRGINIA

December 2, 2013

To the Citizens of Chesapeake, Virginia:

The Comprehensive Annual Financial Report of the City of Chesapeake, Virginia (the City) for the fiscal year ended June 30, 2013, is hereby submitted. The financial statements included in this report conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Reporting Entity and Its Services

The present City of Chesapeake was formed on January 1, 1963 by the merger of Norfolk County and the City of South Norfolk. This merger created the second largest city in the Commonwealth with 353 square miles, surrounded by the cities of Norfolk, Portsmouth, Virginia Beach, Suffolk, and the North Carolina state-line.

The City of Chesapeake derives its governing authority from a charter granted by the Virginia General Assembly. The City is organized under the Council-Manager form of government. The City Council is the legislative body of the City government with the Mayor as the presiding officer. The Mayor is elected on an at-large basis as are the eight remaining City Council members. The City Manager is appointed by the City Council and is responsible for the day to day administration of the City.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Chesapeake), as well as its component units, which are legally separate organizations for which the City Council is financially accountable. Financial accountability was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and accountability for fiscal matters. Component units are discretely presented and are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units qualifying for inclusion in this report are Chesapeake Public Schools, Chesapeake Mosquito Control Commission, Economic Development Authority of the City of Chesapeake (the EDA, formerly known as the Industrial Development Authority), Chesapeake Port Authority, Chesapeake Airport Authority, and Elizabeth River Properties of Chesapeake, Inc. The activities of one component unit, CSB of Chesapeake, Inc. (CSBC, Inc.), are considered to be so intertwined with the City's activities that they are in substance part of the City's operations. Therefore, CSBC, Inc. is blended with the City's governmental activities. The Other Postemployment Benefits Trust Fund is where the City accounts for the costs of future benefits that are promised to City employees after retirement in the form primarily of retiree health insurance benefits. This fiduciary-type component unit is included within the fiduciary fund financial statements.

The City provides a full range of general governmental services for its citizens. These services include law enforcement, emergency medical response, fire protection, collection and disposal of solid waste, water, sewer, and stormwater utility services, parks and recreation, libraries, and construction and maintenance of highways, streets, and other infrastructure. Other services provided include public education in grades kindergarten through twelfth, public health and social services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently. There are no overlapping jurisdictions and, consequently, citizens of Virginia cities are not subject to local overlapping debt or taxation.

Economic Condition and Outlook

The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2012 increased \$141.3 million or 4.8% from \$2.927 billion in 2011 to \$3.068 billion. This is the largest of three straight calendar years of sales tax revenue increases for the City.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2013, the average unemployment rates were 5.8% for Chesapeake (a decline from the prior year's average unemployment rate of 6.3%), 6.2% for the region and 5.6% for the State, compared to 7.8% for the United States.

For the fiscal year ended June 30, 2013, there were 705 foreclosures in the City, down 11% from 794 in the fiscal year ended June 30, 2012 and down 23% from 915 in the previous fiscal year. These decreases are promising economic indicators.

The Chesapeake Economic Development Department's 2013 Annual Report noted significant accomplishments despite continued economic uncertainties.

The 2013 report highlights that:

- Chesapeake continues to progress with more than \$204 million in business investment and 1,152 jobs being generated.
- The City of Chesapeake is celebrating the 50th anniversary of its founding in 1963.
- Citing the City as one of the nation's safest, *Bloomberg Businessweek* named Chesapeake one of America's 50 best cities for the second year in a row.
- Chesapeake continues to be named one of America's "best run" cities by *24/7 Wall St.*, an online provider of financial news and opinions, after a review of the local economies, fiscal discipline and standards of living within America's largest cities (by population). Examiners cited the City's relatively low rates for crime, unemployment and poverty, among other relevant attributes.
- Existing companies' investment of \$46 million and new company investment of \$158 million generated 1,152 new jobs. This \$204 million of business investment represents a 24.6% increase over the prior year's growth in business investment.

Chesapeake's General Obligation bonds continue to hold a AAA rating, the highest bond rating available, from Fitch Ratings, a AA+ rating from Standard & Poor's Ratings Services, and a Aa1 rating from Moody's Investors Service.

Major Initiatives

For the Year. City Council serves the citizens by striving to provide efficient City services, quality education, and balanced and planned development while maintaining a fiscally sound government. City Council and management continue to work proactively to effectively manage resources and costs.

During fiscal year 2013, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, expenditures, encumbrances and other financing uses of \$501,575,171 were \$14,197,029 or 2.8% below the revised budget. Total revenues and other financing sources of \$505,177,342 exceeded budget by \$14,301,583 or 2.9%.
- Following four years of construction, the new Gilmerton Bridge opened in mid- November 2013. Virginia Department of Transportation constructed the 85 foot wide replacement and kept the bridge open to vehicular traffic during the daytime hours. The \$134 million project accommodates future widening of Military Highway from four lanes to six.
- The City's Operating and Capital budgets adopted by City Council preserved core services and included no tax increases.
- The South Norfolk Jordan Bridge opened in October 2012 and spans the Elizabeth River connecting Chesapeake with Portsmouth. The new fixed-span bridge is a private facility, funded by investors rather than taxpayers and replaced an 80-year-old drawbridge that was closed in 2008.
- During the year, the City began construction of the Dominion Boulevard Improvement Project, which includes building a 95-foot-high, fixed span four-lane replacement for the fifty-year-old Steel Bridge.
- The City continued its partnership with the U.S. Navy to acquire property interests under multi-year encroachment protection agreements for the Fentress Naval Auxiliary Landing Field and Naval Support Activity Norfolk Northwest Annex. Under these agreements, the Navy agrees to reimburse the City half of the purchase price of the property in exchange for a conservation easement. These purchases bolster the City's support of each installation's mission and furthers its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake.
- In light of increasing competition for economic growth at all levels, City Council recognized in October 2012 that Chesapeake would benefit from amending the 2026 Comprehensive Plan. The purpose of this amendment was to establish criteria for designating large tracts of land for unique economic development opportunities, provided that the designation is compatible with military operations and environmental conditions, as well as being sustainable without committed extension of municipal public utilities. City Council adopted amendments to the Economy section of the 2026 Comprehensive Plan in April 2013 to accommodate such unique economic opportunities.

For the Future:

- Chesapeake's future as a desirable community in which to live and work continues to show promise and opportunity. Its central location, availability of land, and good transportation network will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 120,856 in 2013 per the Virginia Employment Commission, an increase of 26% over the period. Median household income has risen from \$50,743 to \$62,041 over the same period, per the U.S. Census Bureau.

- The City continues its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population, and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic, and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995, to an average annual growth rate of roughly 1% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2040 will be approximately 314,600. Additionally, total households are projected to be 114,300, while total employment will be 167,000. This yields a housing-to-jobs ratio of 1.46%, which is considered to be a sustainable balance.
- While the 2026 Comprehensive Plan continues to serve as the City's primary growth management and land use guidance document, a process is nearing completion to review and update the plan to enhance its usefulness to a broad spectrum of stakeholders, and to adjust the vision, goals and objectives to incorporate current and forecasted trends in economic development, housing, and transportation. The new plan is being called the Moving Forward Chesapeake 2035 Comprehensive Plan Update. Dating back to mid-2009, substantial community input has been solicited in support of the update process. The Chesapeake Planning Commission completed a survey of City boards and commissions to ascertain their current concerns and issues, as well as their vision and goals for the future. Stakeholder input from business-oriented groups has also been collected. Based on this input, Planning Department staff completed and disseminated a Public Review Draft of the Plan in November 2012, then prepared a Public Hearing Draft for consideration by the Planning Commission based on additional citizen input. The Draft Plan is organized around the themes of responsible growth, infrastructure, and quality of life. Revisions to the Land Use Plan and Master Transportation Plan were also made based on input received. The Planning Commission approved its version of the Draft Plan for consideration by City Council.
- One major tool used to manage growth is the Planning and Land Use Policy, adopted and incorporated into the City's Comprehensive Plan by City Council in 1995. Under this policy, level of service tests for schools, roads, and sewer capacity were established and are applied to all rezoning applications in the City. Chesapeake's growth management policies are serving as models for other Virginia localities that are attempting to control growth without stifling development. In support of this policy, the City also utilizes a computer-based fiscal impact analysis model to evaluate the impact of proposed development projects and/or area-wide development scenarios on the City's finances. City Council most recently amended the Level of Service (LOS) Policy in December 2012 to provide level of service exemptions for certain urban mixed use planned use developments located in Tax Increment Financing Districts and generating significant positive fiscal impacts. At the request of City Council in April 2013, staff has been reviewing various aspects of the LOS Policy to ensure that it fairly reflects changed economic conditions.
- A major new land use and strategic growth study of the Dominion Boulevard Corridor was initiated in 2013. Funding for the project was approved by City Council as part of the adoption of the FY2013 Capital Improvement Budget. It has been recognized for several years that this corridor has tremendous future growth potential, particularly as a regional commercial destination and employment center. This is due partly to the mixed-use land classifications established under the 2026 Land Use Plan in 2005, but also because of the approved Dominion Boulevard widening and high-rise bridge project currently under construction. The opening of Grassfield High School, creation of the Dominion Commerce Park and Dominion Commons shopping center, new residential developments, and expansion of Tidewater Community College's Chesapeake Campus in recent years is setting the stage for this area to emulate the success of Greenbrier, one of the largest commercial hubs in the region. It is vital that a strategic vision and plan be developed to help guide growth in a coordinated and quality fashion and to promote a market-based economic development strategy for the area.

- The City will continue its mission of protecting and preserving Chesapeake's unique environmental assets for future generations through the Open Space and Agriculture Preservation (OSAP) Program, as well as its partnership with the U.S. Navy. Several parcels are being discussed for acquisition in the next year.
- The City has new initiatives designed to improve access to government services and programs. For example, the City has launched the development of an electronic development permitting software system (EDP), which will allow many business transactions to occur online and will allow stakeholders to track their projects without physically visiting City Hall.

Financial Information

Financial Information and Significant Financial Policies

The keystone to the City's ability to maintain its fiscal responsibility is the continuing dedication of the City Council, which is evidenced by the City Council's adoption of sound financial policies that are contained in City publications such as the Annual Long Term Debt Report, Annual Operating Budget and five year Capital Improvement Budget documents. These policies relate primarily to the integration of capital planning, debt capacity and planning, cash management, and operational efficiencies as a means of ensuring prudent and responsible allocation of the City's resources. From time to time, the City Council evaluates these policies and makes amendments as needed to address the changing economic conditions and management practices. In addition, City Council annually adopts tenets for budgetary development which serve to guide the City in adhering to a fiscally conservative budget preparation methodology.

Internal Controls. City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City of Chesapeake's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit, and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, the Grants Fund, the Community Development Fund and certain other Special Revenue Funds. The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the fund level. City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end. City Council approves transfers between departments and programs, as well as transfers between revenue and expense categories.

Other Information

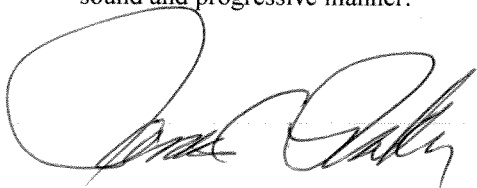
Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were performed to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. The testing of major federal award programs for the fiscal year ended June 30, 2013 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Independent Audit. The City's Charter, SEC 11.06, *Annual Audit* requires an audit by independent certified public accountants. The accounting firm of Cherry Bekaert^{LLP} was selected by the City's Audit Selection Committee and approved by City Council. In addition to meeting the requirements set forth in the City's Charter, the audit also was designed to meet the requirements of the federal Single Audit Act Amendment of 1996 and related OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Independent Auditors' Report on the Basic Financial Statements is included in the Financial Section of this report. The auditors' reports on internal controls and compliance can be found in the Compliance Section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the 31st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA also presented the Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2012.

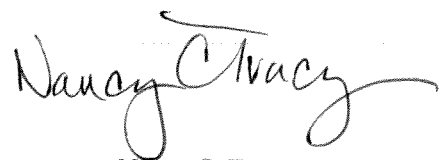
A Certificate of Achievement is valid for a period of one year only. The City believes that the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. Also deserving special commendation are all of the skilled, talented, and dedicated employees of the City of Chesapeake - the workforce of the City. We also express our sincere appreciation to the Mayor and City Council for their leadership, guidance, and establishment of policies for managing financial operations in a sound and progressive manner.



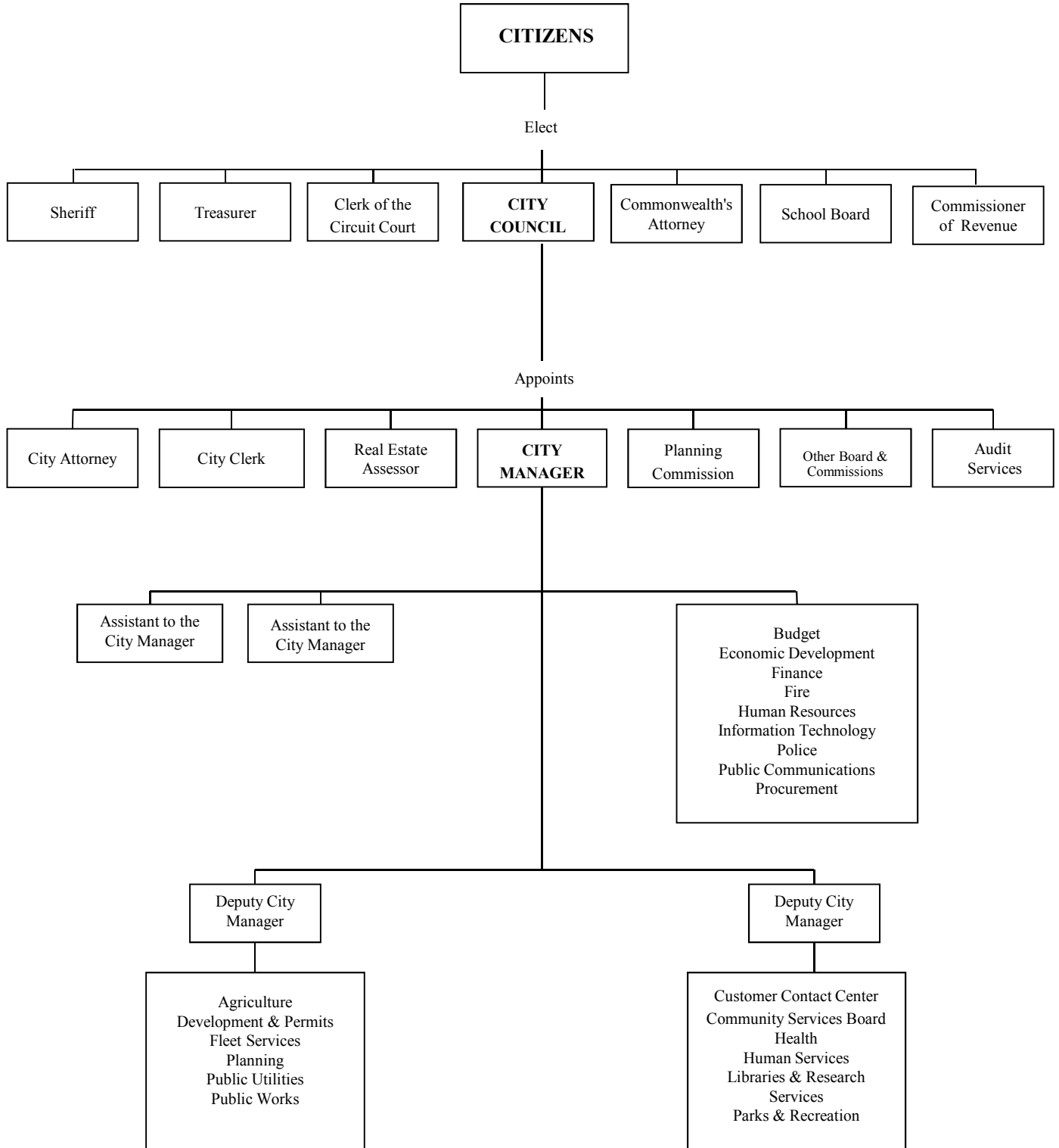
James E. Baker
City Manager

Very truly yours,



Nancy C. Tracy
Director of Finance

CITY WIDE ORGANIZATIONAL CHART



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2013

City Council

Dr. Alan P. Krasnoff Mayor
John M. de Triquet M. D. Vice Mayor

Lonnie E. Craig
Robert C. Ike, Jr.
Suzy H. Kelly
Scott W. Matheson
S.Z. “Debbie” Ritter
Dr. Ella Ward
Dr. Richard W. West

Other Officials

Barbara O. Carraway City Treasurer
Faye Mitchell Clerk of the Circuit Court
Ray A. Conner Commissioner of Revenue
Nancy G. Parr Commonwealth’s Attorney
James O’Sullivan Sheriff
James E. Baker City Manager
Jan L. Proctor City Attorney
Jay Poole City Auditor
Dolores A. Moore City Clerk
William L. Rice Real Estate Assessor
Amar Dwarkanath Deputy City Manager, Operations
Dr. Wanda Barnard-Bailey Deputy City Manager, Human Development/Community Initiatives
Mary Ann Saunders Assistant to the City Manager
Anna D’Antonio Assistant to the City Manager
V. Thomas Forehand, Jr. Chief Judge, Circuit Court
John W. Brown, Marjorie A. Taylor Arrington
Bruce H. Kushner and Randall D. Smith Judges, Circuit Court
David L. Williams Chief Judge, General District Court
Philip J. Infantino, Timothy S. Wright and
Michael R. Katchmark Judges, General District Court
Deborah A. Ellington Clerk of the General District Court
Larry D. Willis Chief Judge, Juvenile and Domestic Relations Court
Rufus A. Banks and Eileen A. Olds Judges, Juvenile and Domestic Relations Court
JoAnn C. Bartley Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence Director of Agriculture
Steven L. Jenkins Budget Director
Joseph J. Scislowicz Executive Director of Community Services Board
Maury B. Brickhouse Director of Court Services
Jay B. Tate Director of Development and Permits
Steven C. Wright Director of Economic Development
Nancy C. Tracy Director of Finance
Edmund E. Elliott, Jr. Fire Chief
Dr. Nancy M. Welch Health Director
Donna L. Mears Director of Human Resources
Susan “Michelle” Cowling Director of Human Services
Peter R. Wallace Chief Information Officer
Betsy Fowler Director of Libraries and Research Services

CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2013

Michael D. Barber Director of Parks and Recreation
Jaleh M. Shea..... Director of Planning
Colonel Kelvin L. Wright Chief of Police
Mark S. Cox..... Director of Public Communications
William J. Meyer, Jr. Acting Director of Public Utilities
Eric J. Martin Director of Public Works
Michael L. Thomas Procurement Administrator of Purchasing

School Board

James A. Leftwich, Jr. Chairman
Christie N. Craig..... Vice Chairman

C. Jeff Bunn
Harry A. Murphy
Bonita B. Harris
Samuel L. Boone, Jr.
Thomas L. Mercer, Sr.
Victoria L. Proffitt
Michael J. Woods

Other School Board Officials

Dr. James T. Roberts Superintendent
Dr. William E. Russell..... Deputy Superintendent
Dr. Anita James Assistant Superintendent for Curriculum and Instruction
Victoria Lucente Assistant Superintendent for Budget and Finance
Dr. Alan L. Vaughan..... Assistant Superintendent for Human Resources and School Services
Steven M. Gilbert Assistant Superintendent for Operations
Dr. Jean A. Infantino Executive Director of Administrative Services / Clerk of the Board

Supplemental Listing

Tom Epley Secretary/Treasurer, Chesapeake Airport Authority
Steven C. Wright Executive Director, Chesapeake Port Authority
Steven C. Wright Executive Secretary, Economic Development Authority
Brenda G. Willis..... Executive Director, Chesapeake Redevelopment and Housing Authority
Doreen Quane Director of Finance and Administration,
Chesapeake Redevelopment and Housing Authority
R. Joe Simmons Director, Chesapeake Mosquito Control Commission



Government Finance Officers Association

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in Financial
Reporting**

Presented to

**City of Chesapeake
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION



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Chesapeake
VIRGINIA

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., which represents 36.31% and 21.98%, respectively, of the assets and revenues of the aggregate other discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc. are based 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and management has elected to change its method of accounting for the Chesapeake Transportation System in fiscal year 2013. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

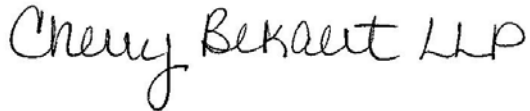
Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements, budgetary comparison schedules, capital project expenditure schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The combining and individual nonmajor fund statements, budgetary comparison schedules and capital project expenditure schedules, and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 2, 2013

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Chesapeake
VIRGINIA

Management's
Discussion and Analysis - (MD&A)



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

The discussion and analysis of the City of Chesapeake's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

- Effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statements 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65 *Items Previously Reported as Assets and Liabilities*. The implementation of these two GASB statements required the City to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the City's basic financial statements as well as adjust the beginning net position accordingly.
- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2013 by \$1.482 billion (net position). Of this amount, \$193.8 million is unrestricted.
- The City's total net position increased by \$50.6 million from the prior year. The governmental net position increased by \$12.7 million and business-type net position increased by \$37.9 million. The donation of infrastructure assets to the City, for governmental purposes of \$7.2 million and business-type purposes of \$4.3 million, contributed to the overall increases.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$322.1 million, an increase of \$4.2 million from the prior year. Approximately 79.0% or \$254.6 million of this amount is unrestricted (committed, assigned or unassigned).
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$8.7 million. The original budget projected a deficiency of revenues and other financing sources over expenses and other financing uses of \$11.4 million. The final amended budget included an increase of \$1.0 million in revenues and a \$2.3 million reduction in expenses along with a net increase in other financing uses of \$11.7 million resulted in a revised budget deficit projection of \$19.8 million. Through continued efforts by City management to control costs, particularly human resources costs, the actual expenditures of \$245.4 million were \$13.3 million or 5.1% under amended budget.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$40.8 million, or 9.9% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- The total fund balances of the General Fund of \$143.7 million increased \$8.7 million from the prior year. Fund balance composition at year end was 0.8% nonspendable, 22.1% restricted, 45.7% committed, 3.0% assigned, and 28.4% unassigned.
- The City's total bonded debt increased by \$113.0 million over fiscal year 2012 (approximately 21.5%), primarily due to issuance of \$150.7 million 2012 Chesapeake Transportation System Senior Toll Road Revenue Bonds.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Chesapeake's basic financial statements. The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements*, and *notes to basic financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include statements that present different views of the City:

- The first two statements presented are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short-term* as well as what amounts remain for future spending.
 - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water and sewer) system. Also presented are internal services funds which are, for the most part, supported through charges to other funds to allocate the cost of services provided.
 - The *fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. The City's fiduciary funds consist of Agency Funds (Special Welfare), Pension Trust Funds and an OPEB Trust Fund. 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 operations.
- The remaining statements are *other discretely presented component units' financial statements* that provide financial information about the Chesapeake Public Schools and the City's other discretely presented component units, which are aggregated on the *government-wide financial statements*.

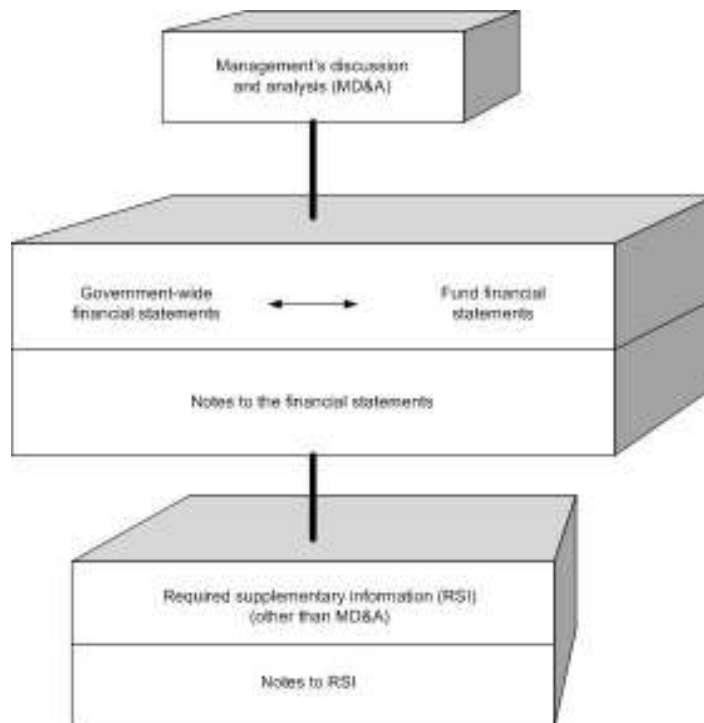
The financial statements also include *Notes to Basic Financial Statements* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section titled *Required Supplementary Information* that further explains and supports the information in the financial statements.

The following graphic shows how the required parts of this *Management's Discussion and Analysis* and the City's *basic financial statements* are arranged and relate to one another.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

Required Components of the City of Chesapeake Financial Statements



The City's financial statements present two kinds of statements each with a different snapshot of the City's finances. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government), and enhance the City's accountability.

Government-Wide Statements

The government-wide statements, the Statement of Net Position and the Statement of Activities, report information about the City of Chesapeake as a whole using accounting methods similar to those used by private-sector companies. These statements include *all* of the government's assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two government-wide statements report the City's net position and how they have changed. Net position, the residual of assets, deferred outflow of resources, liabilities and deferred inflow of resources, is one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure may need to be considered to assess the overall health of the City.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

In the Statement of Net Position and the Statement of Activities, the City is divided into three categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, public welfare, and parks and recreation departments; and general administration. Property taxes, other taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, stormwater system, and Chesapeake Transportation System are included in this category.
- *Component units* – The City includes seven discretely presented component units, separate legal entities, in its report – the Chesapeake Public Schools, the Chesapeake Mosquito Control Commission, the Economic Development Authority of the City of Chesapeake, the Chesapeake Port Authority, Chesapeake Airport Authority, and Elizabeth River Properties of Chesapeake, Inc. Although legally separate, these component units are important because the City is financially accountable for them and provides operating funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants; City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements. The City includes in its governmental fund statements a blended component unit, CSB of Chesapeake, Inc. because it provides services entirely for the benefit of the City.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the internal service funds' gain or loss allocation, but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the City Garage Fund and the Information Technology Fund.
- *Fiduciary funds* – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are reported in a separate Statement of Fiduciary Net Position. The City excludes these activities from its government-wide financial statements because the City cannot use these assets to finance its operations. The City includes in its fiduciary fund statements the City of Chesapeake Other Postemployment Benefits Trust Fund (OPEB Trust Fund).

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

The Total Governmental Funds column requires reconciliation, presented on the page following each statement, because of the difference in measurement focus from the government-wide statements (current financial resources versus total economic resources). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chesapeake, net position totaled \$1.482 billion at the close of fiscal year 2013, an increase of \$50.6 million from the net position at June 30, 2012. By far the largest portion of the City's net position (71.2%) is net investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Statement of Net Position

The following table reflects the condensed net position of the City:

June 30, 2013 and 2012
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets and deferred outflows						
Current and other assets*	\$ 412.0	404.2	268.0	148.3	680.0	552.5
Capital assets*	1,074.5	1,131.6	621.0	504.8	1,695.5	1,636.4
Deferred outflows of resources	4.5	-	3.3	-	7.8	-
Total assets and deferred outflows	1,491.0	1,535.8	892.3	653.1	2,383.3	2,188.9
Liabilities and deferred inflows						
Current and other liabilities	22.4	25.6	29.5	17.1	51.9	42.7
Long-term liabilities	481.6	489.9	360.4	224.0	842.0	713.9
Deferred inflows of resources	0.4	-	7.5	-	7.9	-
Total liabilities and deferred inflows	504.4	515.5	397.4	241.1	901.8	756.6
Net position						
Net investment in capital assets*	715.3	762.7	339.0	286.4	1,054.3	1,049.1
Restricted*	76.3	76.6	157.1	128.3	233.4	204.9
Unrestricted*	195.0	181.0	(1.2)	(1.5)	193.8	179.5
Total net position	986.6	1,020.3	494.9	413.2	1,481.5	1,433.5
Total liabilities, deferred inflows and net position	\$ 1,491.0	1,535.8	892.3	654.3	2,383.3	2,190.1

* Restated

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

Approximately 15.8% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$193.8 million or 13.1%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, for the primary government as a whole. In addition, all categories of net position for its separate governmental and business-type activities are positive balances except for the unrestricted deficit for business-type activities of \$1.2 million. Total unrestricted net position increased by \$15.7 million or 8.8% over the prior year. Total restricted net position increased \$29.7 million or 14.6%, largely due to bond proceeds restricted for capital projects that must be spent on those specific activities and unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas. Lastly, net investment in capital assets increased \$5.2 million or 0.5%. The City's total net position increased by \$50.6 million or 3.5% during the fiscal year.

Governmental Activities

The net position of the City's governmental activities increased by \$12.7 million, as shown on the Statement of Activities, accounting for 25.1% of the total growth in net position of the City. This increase was due to a variety of factors. Total program revenues for governmental activities were \$132.1 million for fiscal year 2013, an increase of \$30.7 million from fiscal year 2012. The increase was a combination of an increase of \$25.7 million in operating grants and contributions, a \$4.9 million increase in capital grants and contributions, and a \$0.1 million increase in charges for services. Total donated land and infrastructure assets, including roads, of \$7.2 million were reported in the public works function.

Expenses decreased by \$20.2 million or 3.4%. Major decreases are in the functional areas of public safety (\$17.3 million), and public works (\$7.0 million) which offset increases in education (\$6.0 million), public welfare (\$3.8 million) and general government (\$2.9 million).

General revenues decreased \$6.4 million from the prior year. Real and personal property taxes, the largest source of the City revenues, showed a decrease of \$5.1 million or 1.7%, the result of declines in assessments. Other taxes increased \$0.9 million or 0.8%. Transfers to governmental activities were \$4.8 million more than last fiscal year due to the City's contribution to fund the Hanbury Road Interchange.

Business-type Activities

The net position of the City's business-type activities increased from \$457.0 million to \$494.9 million. These resources cannot be used to make up for any net deficit in governmental activities. The City generally can only use this net position to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Transportation System. Increases in capital assets were mainly attributable to a significant increase in construction in progress associated with the Chesapeake Transportation System and \$4.3 million of deeded and donated assets from developers. Total revenues decreased \$19.2 million or 13.9% for business-type activities primarily due to decreases in charges for services and capital grants and contributions.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

Statement of Activities

The following comparative statement of activities presents the revenues, expenses and transfers of the governmental and business-type activities:

Year Ended June 30, 2013 and 2012
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Activities	
	FY2013	FY2012*	FY2013	FY2012*	FY2013	FY2012*
Revenues						
Program revenues						
Charges for services	\$ 29.1	29.0	85.3	89.2	114.4	118.2
Operating grants and contributions	95.1	69.4	1.5	1.3	96.6	70.7
Capital grants and contributions	7.9	3.0	32.3	47.8	40.2	50.8
General revenues						
Property taxes	288.7	293.8	-	-	288.7	293.8
Other taxes	120.0	119.1	-	-	120.0	119.1
Grants and contributions not restricted to specific program	31.7	31.6	-	-	31.7	31.6
Unrestricted investment earnings	0.2	2.4	-	-	0.2	2.4
Other	3.0	3.1	-	-	3.0	3.1
Total revenues	575.7	551.4	119.1	138.3	694.8	689.7
Expenses						
General government	149.3	146.4	-	-	149.3	146.4
Public safety	83.5	100.8	-	-	83.5	100.8
Public works	40.6	47.6	-	-	40.6	47.6
Parks and recreation	9.7	7.8	-	-	9.7	7.8
Public welfare	41.0	44.8	-	-	41.0	44.8
Education	209.0	203.0	-	-	209.0	203.0
Public utilities	-	-	54.6	57.2	54.6	57.2
Chesapeake Transportation System	-	-	12.0	10.8	12.0	10.8
Stormwater management	-	-	9.3	7.8	9.3	7.8
Interest on long-term debt	15.8	17.9	-	-	15.8	17.9
Depreciation and Amortization unallocated	19.4	20.2	-	-	19.4	20.2
Total expenses	568.3	588.5	75.9	75.8	644.2	664.3
Excess (deficiency) before transfers	7.4	(37.1)	43.2	62.5	50.6	25.4
Transfers	5.3	0.5	(5.3)	(0.5)	-	-
Increase (decrease) in net position	12.7	(36.6)	37.9	62.0	50.6	25.4
Net Position - beginning*	973.9	1,010.5	457.0	395.0	1,430.9	1,405.5
Net Position - ending	\$ 986.6	973.9	494.9	457.0	1,481.5	1,430.9

*Restated

CITY OF CHESAPEAKE, VIRGINIA

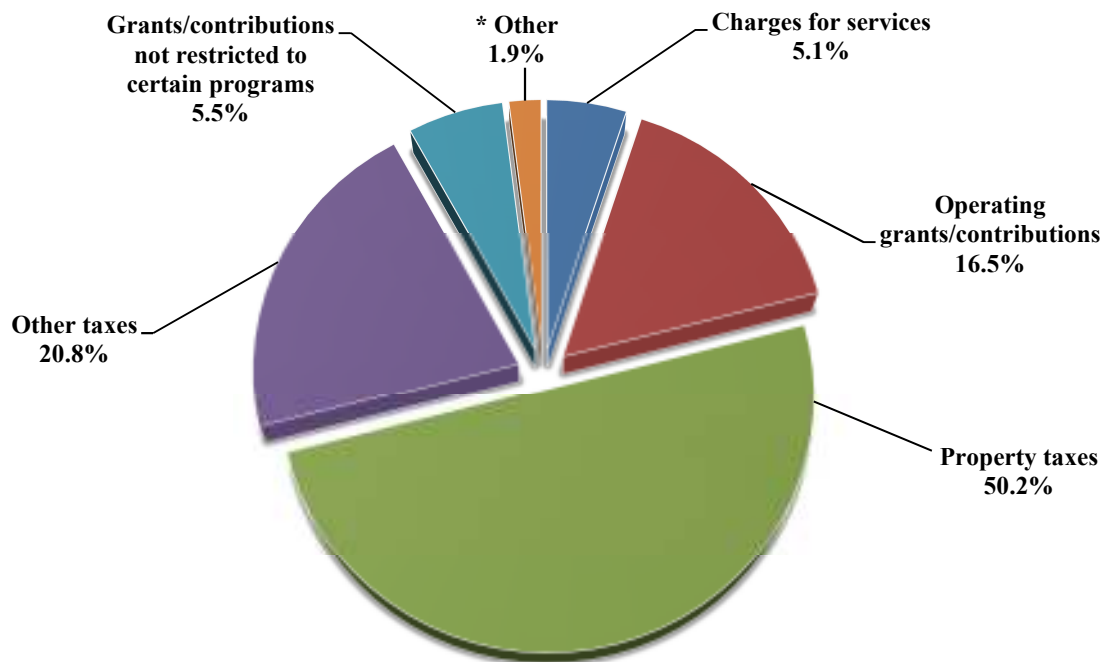
Management's Discussion and Analysis
Year Ended June 30, 2013

Governmental Activities

The City's total revenues from governmental activities were \$575.7 million for the fiscal year ended June 30, 2013. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$288.7 million and accounted for 50.2% of total revenues. Property taxes decreased \$5.1 million or 1.7% from the prior year, primarily due to a decline of 2.4% in assessments. Both the personal property tax and the real estate tax rates remained unchanged from FY2012.

Revenues from other taxes, \$120.0 million, make up 20.8% of the City's revenues and increased 0.8% from the prior fiscal year, driven by consumer spending activity reflected in increased taxes on sales, utility purchases, business license, recordation and wills, restaurant meals and admission. Approximately 71.0% of the City's revenue from governmental activities comes from some type of tax, and 5.1% comes from fees charged for services.

Revenues by Source – Governmental Activities – Year Ended June 30, 2013



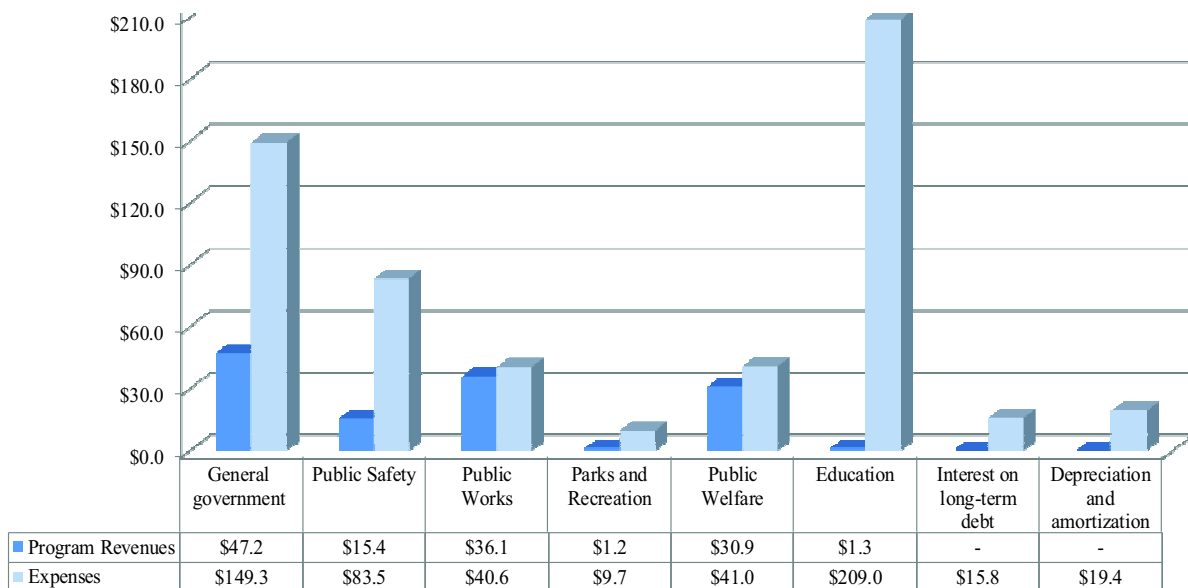
*Other includes capital grants/contributions and unrestricted investment earnings

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

The City's expenses for governmental activities cover a wide range of services, with 14.7% or \$83.5 million related to public safety, 7.2% or \$41.0 million for public welfare, and 7.1% or \$40.6 million for public works. Education continues to be the City's largest program. Education expenses totaled \$209.0 (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2013, an increase of \$6.0 million over fiscal year 2012. Overall expenses for governmental activities decreased \$20.2 million over fiscal year 2012 primarily due to expense savings of \$17.3 million in public safety and \$7.0 million in public works.

Expenses and Program Revenues – Governmental Activities Year Ended June 30, 2013 (in millions)



Business-Type Activities

Net position for the City's business-type activities increased by \$37.9 million largely as a result of capital grants received from Virginia Department of Transportation to fund the Dominion Boulevard construction project. Donated assets which totaled \$4.3 million during the fiscal year also contributed to the \$37.9 million increase. The increase in net position accounted for 74.9% of the total growth in the City's net positions. Charges for services, including water and sewer utility fees, stormwater fees, and toll revenues, made up 71.6% of total revenues for business-type activities. The \$4.8 million increase in transfers is mainly due to the City's contribution made to finance acquisition and construction of the Hanbury Road Interchange.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Chesapeake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Chesapeake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2013, the governmental funds reported combined ending fund balances of \$322.1 million, an increase of \$4.2 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2013:

- \$23.5 million spent in the Capital Projects Fund to fund capital items, including Public Safety Headquarters Emergency Operations Center, property acquisitions and library expansion in the South Norfolk tax increment financing district, City park improvement within the Greenbrier municipal district, and design and construction of Dismal Swamp Canal Trail.
- \$168.8 million contributed from the City's General Fund to finance the Public School operations.
- \$7.8 million of tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- \$26.7 million of general obligation school bond borrowing

The City contributed \$12.0 million to the OPEB Trust Fund, including \$2.8 million considered pay-as-you-go. Additionally approximately \$1.0 million was funded via implicit subsidy. The OPEB Trust Fund was established in fiscal year 2008 during the City's implementation of Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 45 *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Approximately \$254.6 million of the combined total fund balances constitutes unrestricted fund balance, which is comprised of funds committed or assigned at the discretion of City Council as well as unassigned funds. The \$110.7 million of these unrestricted funds in the General Fund represent 26.7% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2013 were as follows:

- \$25.8 million committed for operating emergencies
- \$20.0 million committed for emergency event response and recovery
- \$20.2 million committed for capital projects
- \$25.0 million committed for various programs and projects
- \$ 1.0 million committed for education
- \$ 0.8 million committed for City capital projects
- \$72.6 million assigned for future capital projects
- \$32.8 million assigned for debt service
- \$15.7 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2013, the unassigned fund balance, includes \$40.8 million in the General Fund, the City's chief operating fund. Restricted funds total \$67.5 million at year end and include \$30.9 million for General Fund cash flow emergencies (six percent of revenue as required by City Charter).

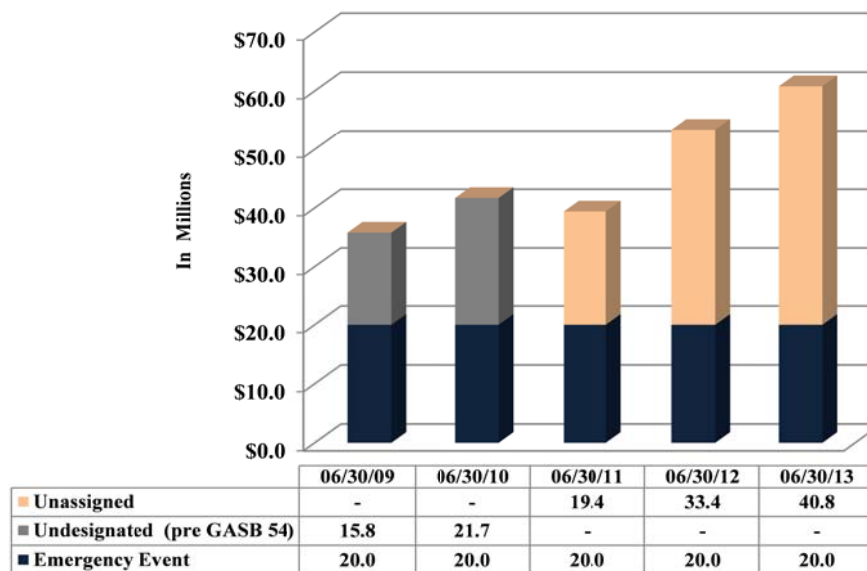
CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

Total fund balance of the General Fund increased by \$8.7 million for fiscal year 2013. The General Fund experienced a slight drop from the previous year in revenues, primarily due to declines in real estate assessments and decreases in investment income. Intergovernmental revenues from the Commonwealth of Virginia increased \$1.6 million. The increase in this revenue source was primarily due to increases in categorical aid for street and highway maintenance, and reimbursements received related to jail project costs. Total expenditures decreased 2.6% from the prior fiscal year. Notable decreases are \$4.3 million in General Government and \$4.4 million in Public Safety while Public Works had a \$2.0 million increase.

The City Charter requires that a minimum of six percent of total General Fund revenues must be set aside in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. The June 30, 2013 fund balance restriction for cash flow emergencies totaled \$30.9 million. In fiscal year 1999, City Council established an additional commitment of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2013, the fund balance committed for operating emergencies is \$25.8 million. In addition to the restriction for cash flow emergencies and commitment for operating emergencies, \$45.0 million has been set aside as of June 30, 2013 with various restrictions, commitments and assignments of which the most significant amounts are set aside as lockbox funds for school and City capital projects, debt service and pay-as-you-go financing.

Unassigned General Fund Balance June 30, 2013 (in millions)



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$40.8 million at June 30, 2013. GASB 54 requires the \$20.0 million emergency event and response fund designation to be recorded as part of the committed fund balance. Prior to 2011, the emergency event and response fund designation was classified as a portion of undesignated fund balance. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

Summary of Changes in General Fund Unassigned Fund Balance

Year ended June 30, 2013

(in millions)

Unassigned fund balance at June 30, 2012		\$ 33.4
Revenues	\$ 500.8	
Expenditures:		
Current	414.1	
Other financing uses, net	78.0	
Net Change in fund balance	8.7	
Increase in reservations (Restricted, Committed and Assigned)	(1.3)	
Increase in unassigned fund balance		7.4
Unassigned fund balance at June 30, 2013		\$ 40.8

The Debt Service Fund ended the year with \$33.2 million in total fund balance, a decrease of \$5.0 million from 2012. The decrease is mainly due to planned reductions in transfers from the General Fund. The assigned fund balance of \$32.8 million is for the payment of debt service as directed by City Council.

Total fund balance of the Capital Project Fund increased \$8.9 million. The current year \$20.0 million deficiency of revenues over expenditures was offset by net transfers of \$28.9 million. Effective July 2013, capital improvement projects for U.S. Route 17/Steel Bridge/Dominion Boulevard project are reported in the Chesapeake Transportation System Fund. During fiscal year 2013, \$2.5 million was received from Federal and State agencies in support of capital projects.

Proprietary Funds

The City of Chesapeake's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net position of these funds to finance continuing costs of the enterprise operations.

For the fiscal year 2013, Public Utilities reported an increase in net position of \$10.6 million primarily due to an increase in capital contributions coupled with a reduction in interest expense. Total operating revenues of \$60.0 million were \$3.9 million less than the prior year primarily due to declines in consumption. Total expenses for fiscal year 2013 were \$54.8 million, decreasing by \$1.1 million. The decrease resulted primarily from decreases in interest expense.

Chesapeake Transportation System and the Dominion Boulevard Project reported operating revenues for fiscal year 2013 of \$10.3 million versus \$10.5 million for 2012. The slight decrease is due primarily to a decline in traffic resulting in decreases in toll revenues. Operating expenses for the year amounted to \$8.8 million, with \$4.1 million from depreciation and amortization expense. Net position increased by \$21.1 million. The majority of this increase was attributable to funding received from Federal and State agencies for the Dominion Boulevard Project. On November 15, 2012, the City issued \$150.7 million of Chesapeake Transportation System Senior Toll Road Revenue Bonds in part to refund the outstanding principal amount of the City's Chesapeake Expressway Toll Road Revenue bonds, Series 1999A and to finance the acquisition, design, and construction the Dominion Boulevard Project.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

Stormwater Management had \$32.2 million in restricted net position at June 30, 2013, up from \$4.6 million for 2012. Operating revenues were \$15.0 million. Expenses totaled \$9.0 million, a \$1.7 million or 23.2% increase from the previous fiscal year. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.7 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

Year Ended June 30, 2013

(in millions)

	Original Budget*	Amended Budget	Actual
Revenues:			
Taxes	\$ 387.6	387.6	393.8
Intergovernmental	81.7	82.4	84.9
Other	19.0	19.3	22.1
Total	488.3	489.3	500.8
Expenditures and transfers:			
Expenditures *	261.0	258.7	245.4
Transfers (net)	238.7	250.4	246.7
Total	499.7	509.1	492.1
Change in fund balance	\$ (11.4)	(19.8)	8.7

* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of \$2.8 million for encumbrances reappropriated from June 30, 2012.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of \$1.0 million, a \$2.3 million decrease in appropriations and a net increase of \$11.7 million in transfers resulting in a \$8.4 million reduction to the change in fund balance. Major changes included the following:

- Appropriation of \$8.2 million from the General Fund committed fund balance to fund the following capital projects - Emergency Operations Center, Bowers Hill Fire Station Replacement and Fire Logistic Center
- Appropriation of \$0.6 million in State maintenance funds to fund Public Works purchase of new capital equipment
- Appropriation of \$0.3 million of additional revenues in Circuit Court Tech Trust Fund, Parks and Recreation programs, and other miscellaneous revenues
- A transfer \$2.5 million one-time funds from vacancy savings to the Self Insurance Fund

Actual total revenues exceeded the amended budget by \$11.5 million, primarily impacted by general property taxes and other local taxes. Delinquent taxes on real and personal properties exceeded the budget by \$2.6 million and business license taxes exceeded budget estimates by \$3.2 million. Intergovernmental revenues were \$2.5 million greater than amended budgeted revenues mainly due to public assistance grants received from the federal and state emergency management agencies.

Expenditures were below the amended budget by \$13.3 million. The general government category returned \$5.8 million or 5.4% of its budget, partially due to cost savings and \$0.4 million appropriated for contingencies that were not required. Notable decreases were: Sheriff (\$1.1 million), Public Library (\$0.5 million), and environmental emergencies (\$0.3 million). Public safety departments were \$1.1 million or 1.3% below amended budget and public

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2013

works departments were \$5.8 million or 9.6% below the amended budget mainly in SPSA tip fees and street maintenance. Although the amended budget called for a reduction of \$19.8 million in fund balance, the actual higher revenues and lower expenditures resulted in a net increase in fund balance of \$8.7 million, a favorable variance of \$28.5 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to approximately \$1.696 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 3.6% or \$59.2 million - a decrease of 1.1% for governmental activities and an increase of 13.0% for business-type activities in part due to moving the Dominion Boulevard project related construction in process from the Governmental Activities to the Chesapeake Transportation System.

Capital Assets (net of accumulated depreciation)

June 30, 2013 and 2012

(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Land	\$ 49.8	44.2	22.3	22.3	72.1	66.5
Intangibles	271.7	268.7	3.5	3.2	275.2	271.9
Construction in progress	86.5	103.3	173.0	93.2	259.5	196.5
Buildings	376.5	374.4	4.1	4.2	380.6	378.6
Improvements other than buildings	12.7	14.4	2.5	2.6	15.2	17.0
Software, equipment and vehicles	53.0	48.6	2.9	2.3	55.9	50.9
Infrastructure	224.3	233.0	412.7	422.0	637.0	655.0
Total	\$ 1,074.5	1,086.6	621.0	549.8	1,695.5	1,636.4

*Restated

Major capital asset events during the fiscal year included the following:

- Completed capital projects totaling \$37.4 million for governmental activities.
- Completed capital projects totaling \$5.4 million for business-type activities.
- Construction in progress totaled \$86.5 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$173.0 million for business-type activities, which includes Public Utility, Stormwater and Chesapeake Transportation System projects.

Additional information on the City of Chesapeake's capital assets can be found in Note 4 of the financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

The City's fiscal year 2014 capital budget provides approximately \$183.5 million for various capital projects. Some of the major categories include \$60.2 million for water and sewer projects, \$34.4 million for economic development, \$29.3 million for stormwater projects, \$20.3 million for transportation projects, \$14.0 million in school related projects, \$14.0 million for public safety projects, and \$7.0 million for community facilities projects. Projects budgeted to commence in fiscal year 2014 include:

- Compressed natural gas fueling station to be served as a main refueling station for both City fleet vehicles and public use vehicles
- 22nd Street bridge replacement, a new 2-lane bridge including pedestrian and bicycle accommodations
- General improvements to City Park within the Greenbrier municipal district
- Non-routine School renewal and replacement for HVAC replacements, new roofs, repaving and technology upgrades
- Public safety related projects such as planning, design and expansion of jail facility
- Public utilities renovations and improvements for sewer management and operations

Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans and installment purchase agreement) of \$639.1 million. Of this amount, \$453.5 million comprises debt backed by the full faith and credit of the City and \$185.6 million is debt secured by revenues of the water and sewer system and Chesapeake Transportation System toll revenues.

City of Chesapeake Outstanding Debt June 30, 2013 and 2012 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 357.3	369.7	93.3	98.1	450.6	467.8
Revenue bonds	-	-	185.6	55.1	185.6	55.1
Literary loans	1.6	1.9	-	-	1.6	1.9
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 360.2	372.9	278.9	153.2	639.1	526.1

Chesapeake's total bonded debt increased by \$113.0 million during the fiscal year. During fiscal year 2013, the City issued \$150.7 million of Chesapeake Transportation System Senior Toll Road Revenue Bonds to finance a portion of the cost of construction of the Dominion Boulevard Project and to refund the outstanding principal amount of the City's Chesapeake Expressway Toll Road Revenue bonds, series 1999A.

The City also sold general obligation bonds of \$26.7 million to partially fund the Indian River High School addition and modernization, as well as to fund major renewal and replacement projects. Principal outstanding on lease revenue bonds backed by the City's general obligation pledge in the amount of \$1.7 million, issued by a blended component unit, CSB of Chesapeake, Inc., have been reported with the City's total debt outstanding for governmental activities. An installment purchase agreement in the amount of \$1.3 million is also included in the City's debt at June 30, 2013. This debt instrument was used to finance the City's purchase of development rights under the Open Space and Agricultural Preservation (OSAP) program, in which the landowner will be paid interest on a semi-annual basis for a period of years until the actual purchase takes place.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2013

On its most recently rated general obligation bonds issued in 2012, Fitch Ratings assigned a "AAA" rating to the City of Chesapeake, the highest bond rating available. The "AAA" rating was first awarded to the City in 2010. The City also received a AA+ rating from Standard & Poor's Ratings Services and a Aa1 rating from Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2.3 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

Additional information on the City of Chesapeake's long-term debt can be found in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2013 for the City of Chesapeake is 5.8%, a decline from the 2012 rate of 6.3%. This compares to the average unemployment rates of 6.2% for the region, 5.6% for Virginia and 7.8% nationally for the same time period.
- Chesapeake's 2012 population estimate reflects an adjustment based on the results of the April 2010 official U.S. Census.
- The City's real estate tax base decreased 2.4% from the prior year compared to a decline of 2.1% in fiscal year 2012. Personal Property tax experienced a 2.2% increase. There was slight improvement in other taxes.
- Taxable retail sales for calendar 2012 increased 4.8% to \$3.068 billion.
- Revenue from investments is expected to decrease due to a decline in the anticipated yield earned on the City's investment portfolio.
- Due to uncertain national, state and local economic conditions, evidenced locally by reduced real estate transactions, home values, and construction permits, the City will continue to focus on core service delivery for the next three to five years. To help address the identified School and City capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing Chesapeake's budget for fiscal year 2015. Additionally, the City is expanding the operating budget process to include detailed three-year resource requirements in order to improve projections to further support strategic planning, and to maintain the City's fiscal stability and strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 306 Cedar Road, Chesapeake, Virginia 23322.

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Chesapeake
VIRGINIA

Basic Financial Statements



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Government-Wide Financial Statements



Statement of Net Position
June 30, 2013

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
Cash and temporary investments (note 2)	\$ 220,785,462	61,074,583	281,860,045	56,139,045	8,277,415
Receivables, net of allowance for uncollectible amounts (note 3)	82,085,747	34,504,020	116,589,767	28,406,061	1,813,103
Due from component units, net of allowance for uncollectible amounts (note 7)	304,100	-	304,100	-	-
Internal balances (note 8)	34,421,070	(34,421,070)	-	-	-
Inventories	1,357,168	1,442,350	2,799,518	1,895,038	8,416,503
Prepaid expenses	2,815,219	-	2,815,219	-	4,842
Restricted assets (note 2):					
Cash and temporary investments with trustee	4	25,065,680	25,065,684	-	-
Cash restricted for debt service	-	3,002,743	3,002,743	-	-
Cash restricted for debt service with trustee	-	17,756,105	17,756,105	-	-
Cash with State Set-Aside (note 2)	833,686	-	833,686	-	-
Capital construction:					
Cash and temporary investments	66,627,576	75,210,705	141,838,281	31,392,903	-
Cash and temporary investments with trustee	2,026,267	83,406,838	85,433,105	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	729,068	-	729,068	-	-
Capital Assets (notes 4, 6, and 9):					
Land	49,770,044	22,255,578	72,025,622	17,277,065	2,075,415
Intangibles	271,671,171	3,462,891	275,134,062	-	-
Construction in progress	86,470,157	173,044,781	259,514,938	47,330,129	-
Buildings	601,981,506	5,733,448	607,714,954	146,398,092	3,866,765
Improvements other than buildings	33,668,529	3,453,525	37,122,054	5,604,230	19,141,992
Software, equipment and vehicles	131,954,973	10,533,016	142,487,989	72,329,200	2,013,297
Infrastructure	1,095,735,385	650,696,791	1,746,432,176	-	-
Accumulated depreciation	(1,196,753,370)	(248,211,998)	(1,444,965,368)	(65,868,369)	(14,007,992)
Other assets	-	-	-	-	78,650
Total assets	1,486,483,762	889,009,986	2,375,493,748	340,903,394	31,679,990
Deferred Outflows of Resources					
Unamortized deferred loss on refunding	4,487,757	3,339,495	7,827,252	-	-
Total deferred outflows of resources	4,487,757	3,339,495	7,827,252	-	-
Total assets and deferred outflow of resources	\$ 1,490,971,519	892,349,481	2,383,321,000	340,903,394	31,679,990
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 21,760,043	27,657,085	49,417,128	47,982,835	231,849
Unearned revenues	660,523	1,794,771	2,455,294	-	-
Due to primary government (note 7)	-	-	-	-	2,567,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	64,495,417	7,395,414	71,890,831	3,343,423	1,849,746
Due in more than one year	417,082,546	353,005,397	770,087,943	328,826,347	1,080,000
Total liabilities	503,998,529	389,852,667	893,851,196	380,152,605	5,729,197
Deferred Inflows of Resources (note 5)	376,875	7,576,391	7,953,266	-	33,809
Total deferred inflows of resources	376,875	7,576,391	7,953,266	-	33,809
Net Position					
Net investment in capital assets	715,309,724	338,956,191	1,054,265,915	214,592,253	11,620,377
Restricted for:					
Capital projects	7,945,218	4,909,101	12,854,319	27,122,536	-
Debt service	3,051,674	40,167,626	43,219,300	-	-
Other purposes:					
Expendable:					
General Fund	30,923,382	-	30,923,382	-	-
Special Projects	34,220,789	-	34,220,789	-	-
Educational Purposes	176,731	-	176,731	36,292,289	-
Public Works	13	-	13	-	-
Public Utilities Operations	-	79,939,226	79,939,226	-	-
Chesapeake Transportation System Operations	-	(121,711)	(121,711)	-	-
Stormwater Management Operations	-	32,240,934	32,240,934	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	449,931
Chesapeake Airport Authority	-	-	-	-	208,368
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	194,955,789	(1,170,944)	193,784,845	(317,256,289)	13,638,308
Total net position	986,596,115	494,920,423	1,481,516,538	(39,249,211)	25,916,984
Total liabilities, deferred inflows and net position	\$ 1,490,971,519	892,349,481	2,383,321,000	340,903,394	31,679,990

The notes to the financial statements are an integral part of this statement.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Discretely Presented Component Units
				Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 149,330,767	19,070,413	27,776,354	395,129	(102,088,871)	-	-
Public safety	83,454,031	4,552,411	10,783,382	124,472	(67,993,766)	-	-
Public works	40,647,017	491,789	29,291,281	6,266,036	(4,597,911)	-	-
Parks and recreation	9,693,509	1,119,617	111,707	-	(8,462,185)	-	-
Public welfare	40,991,944	3,876,330	27,066,465	-	(10,049,149)	-	-
Education	208,985,915	-	119,662	1,155,619	(207,710,634)	-	-
Interest on long term debt	15,821,682	-	-	-	(15,821,682)	-	-
Depreciation and amortization - net unallocated portion (note 4)	19,429,215	-	-	-	(19,429,215)	-	-
Total governmental activities	568,354,080	29,110,560	95,148,851	7,941,256	(436,153,413)	-	-
Business-type activities:							
Public Utilities	54,559,573	59,999,277	1,211,987	4,245,026	-	10,896,717	-
Chesapeake Transportation System	11,981,231	10,310,889	162,448	27,860,051	-	26,352,157	-
Stormwater Management	9,256,065	14,973,046	126,879	145,441	-	5,989,301	-
Total business-type activities	75,796,869	85,283,212	1,501,314	32,250,518	-	43,238,175	-
Total primary government	\$ 644,150,949	114,393,772	96,650,165	40,191,774	(436,153,413)	43,238,175	(392,915,238)
COMPONENT UNITS							
Public Schools	\$ 449,879,147	7,628,806	88,209,959	1,204,851	-	-	-
Chesapeake Mosquito Control Commission	4,520,768	-	3,871,642	-	-	(352,835,531)	-
Economic Development Authority	883,000	-	751,034	-	-	-	(649,126)
Chesapeake Port Authority	50,187	39,400	10,987	-	-	-	(131,966)
Chesapeake Airport Authority	1,285,463	434,049	745,430	-	-	-	200
Elizabeth River Properties of Chesapeake, Inc	188,512	97,283	40,106	-	-	-	(105,984)
Total component units	\$ 456,807,077	8,199,538	93,629,158	1,204,851	-	(352,835,531)	(937,999)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				\$ 288,743,868	-	288,743,868	-
Local sales and use taxes				34,451,337	-	34,451,337	-
Consumer utility taxes				10,258,697	-	10,258,697	-
Communication sales tax				12,204,074	-	12,204,074	-
Business license taxes				24,268,792	-	24,268,792	-
Local utility consumption tax				874,882	-	874,882	-
Bank stock taxes				1,213,804	-	1,213,804	-
Taxes on recordation and wills				3,054,938	-	3,054,938	-
Tobacco taxes				4,436,267	-	4,436,267	-
Hotel and motel room taxes				5,021,319	-	5,021,319	-
Restaurant food taxes				22,748,389	-	22,748,389	-
Admission taxes				917,132	-	917,132	-
Short-term rental taxes				395,127	-	395,127	-
Pari-mutuel wagering pool tax				90,511	-	90,511	-
Payment from City				-	-	-	201,293,387
Grants and contributions not restricted to specific programs				31,739,924	-	31,739,924	151,059,807
Unrestricted investment earnings				162,669	-	162,669	86,192
Miscellaneous				2,961,604	-	2,961,604	792,217
Transfers				5,295,381	(5,295,381)	-	-
Total general revenues and transfers				448,838,715	(5,295,381)	443,543,334	353,231,603
Change in net position				12,685,302	37,942,794	50,628,096	396,072
Net position - beginning, as restated				973,910,813	456,977,629	1,430,888,442	(39,645,283)
Net position - ending				\$ 986,596,115	494,920,423	1,481,516,538	(39,249,211)
							25,916,984

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements



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Chesapeake
VIRGINIA

Governmental Fund Financial Statements

Major Governmental Funds – Include General, Debt Service, and Capital Projects Funds.

Other Governmental Funds – Include Special Revenue and Permanent Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 108,441,928	32,919,925	-	44,953,580	186,315,433
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,951,304	-	-	-	2,951,304
State categorical aid	1,641,299	-	-	-	1,641,299
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	146,873	-	23,425	1,254,390	1,424,688
Federal government	-	-	1,206,977	3,372,012	4,578,989
Federal government - American Reinvestment and Recovery Act	-	-	-	223,035	223,035
Receivables (note 3):					
Property taxes	29,639,457	-	-	-	29,639,457
Accounts receivable	5,530,014	-	203,946	3,158,330	8,892,290
Utility taxes	2,788,479	-	-	-	2,788,479
Interest	476,307	149,021	36	713	626,077
Fines	158,733	-	-	313,919	472,652
Ambulance fees	2,485,775	-	-	-	2,485,775
Restaurant and food tax	1,986,388	-	-	-	1,986,388
Other	1,259,893	-	-	512,829	1,772,722
Allowance for uncollectible amounts	(4,150,764)	-	(203,946)	(1,818,949)	(6,173,659)
Inventory	999,640	-	-	14,214	1,013,854
Due from other funds (note 8)	243,520	-	27,827,253	-	28,070,773
Prepaid expenditures and other assets	45,882	-	-	-	45,882
Restricted assets (note 2):					
Cash and temporary investments with trustee	4	-	-	-	4
Cash with state set-aside (note 6)	833,686	-	-	-	833,686
Capital construction:					
Cash and temporary investments	-	-	66,627,576	-	66,627,576
Cash and temporary investments with trustee	-	-	2,026,267	-	2,026,267
Investments	-	-	-	729,068	729,068
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	127,722	176,378	-	-	304,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 184,196,141	33,245,324	97,711,534	52,713,141	367,866,140
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 6,391,328	3,550	-	1,467,085	7,861,963
Deposits (note 3)	1,283,788	-	-	75,344	1,359,132
Accrued expenditures (note 3)	3,065,301	-	-	81,336	3,146,637
Unearned revenue	184,810	-	-	475,713	660,523
Other liabilities (note 3)	475,037	-	-	-	475,037
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	2,866,497	-	2,866,497
Due to Commonwealth of Virginia	175	-	-	55,413	55,588
Due to Federal government	-	-	-	10,088	10,088
Due to other funds (note 8)	-	-	-	243,520	243,520
Total liabilities	11,400,439	3,550	2,866,497	2,408,499	16,678,985
Deferred Inflows of Resources (note 5)	29,134,198	-	-	-	29,134,198
Total deferred inflows of resources	29,134,198	-	-	-	29,134,198
Fund Balances (note 12)					
Nonspendable	1,173,244	176,378	-	27,009	1,376,631
Restricted for cash flow emergencies	30,923,382	-	-	-	30,923,382
Restricted other	833,686	245,509	2,026,267	32,086,018	35,191,480
Committed for operating emergencies	25,769,311	-	-	-	25,769,311
Committed for emergency event response and recovery	20,000,000	-	-	-	20,000,000
Committed other	19,799,695	-	20,234,588	6,947,137	46,981,420
Assigned	4,364,542	32,819,887	72,584,182	11,390,689	121,159,300
Unassigned	40,797,644	-	-	(146,211)	40,651,433
Total fund balances	143,661,504	33,241,774	94,845,037	50,304,642	322,052,957
Total liabilities, deferred inflows and fund balances	\$ 184,196,141	33,245,324	97,711,534	52,713,141	367,866,140

The notes to the financial statements are an integral part of this statement.

(Continued)

Balance Sheet
Governmental Funds
June 30, 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

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

Ending fund balance - governmental funds	\$ 322,052,957
--	----------------

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capital assets used in governmental activities as reported in note 4 to the financial statements also include assets of \$44,697,723 associated with the internal service funds as indicated below.

Capital assets	1,029,800,672
----------------	---------------

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.	29,134,198
--	------------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$1,170,944 as noted on Schedule

Capital assets	44,697,723	
Long-term debt	(27,531,873)	
Other assets and liabilities	<u>37,740,460</u>	54,906,310

Recordation of interfund loan to Chesapeake Transportation System	5,422,873
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Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds.	(4,785,687)
--	-------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total long-term obligations for governmental activities as reported in footnote 6 to the financial statements also include long-term obligations of \$27,531,873 associated with the internal service funds as indicated above.

Long-term debt related to assets	(395,979,556)	
Long-term debt not related to assets	<u>(53,955,652)</u>	(449,935,208)

Net position of governmental activities	\$ 986,596,115
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The notes to the financial statements are an integral part of this statement.

CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 282,150,366	-	-	8,106,492	290,256,858
Other local taxes	111,617,912	-	-	8,317,357	119,935,269
Licenses, permits, and fees	8,091,767	-	-	-	8,091,767
Fines and forfeitures	3,000,462	-	-	-	3,000,462
Investment income	(101,924)	(127,526)	464,783	(14,610)	220,723
Revenues from use of property	454,156	54,889	-	386,153	895,198
Charges for services	9,999,437	-	-	7,755,043	17,754,480
Miscellaneous local revenues	328,224	-	58,697	2,013,506	2,400,427
Recovered costs	394,653	216	(199,221)	1,541,269	1,736,917
Program income	-	-	-	69,815	69,815
Revenues from local developers	-	-	669,054	-	669,054
Intergovernmental revenues:					
Commonwealth of Virginia	83,319,086	221,984	64,855	20,075,174	103,681,099
Federal government	1,538,846	-	2,298,376	15,688,491	19,525,713
Federal government - American Reinvestment and Recovery Act	-	921,303	161,225	687,223	1,769,751
Chesapeake Public Schools	79,024	40,638	-	-	119,662
Total revenues	500,872,009	1,111,504	3,517,769	64,625,913	570,127,195
EXPENDITURES					
Current:					
General government	101,759,381	-	-	12,517,958	114,277,339
Public safety	80,502,383	-	-	9,540,363	90,042,746
Public works	53,574,358	-	-	36,546	53,610,904
Parks and recreation	5,881,328	-	-	2,356,079	8,237,407
Public welfare	-	-	-	41,062,109	41,062,109
Education - Payments to Public Schools	168,773,000	30,684,282	-	1,836,105	201,293,387
Capital outlay	1,102,670	-	23,532,274	2,287,468	26,922,412
Debt service	2,540,494	55,655,920	-	323,954	58,520,368
Total expenditures	414,133,614	86,340,202	23,532,274	69,960,582	593,966,672
Excess (deficiency) of revenues over (under) expenditures	86,738,395	(85,228,698)	(20,014,505)	(5,334,669)	(23,839,477)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	1,640,221	49,521,435	29,535,684	16,456,046	97,153,386
Transfers to other funds (note 8)	(79,639,442)	-	(641,461)	(19,492,969)	(99,773,872)
VPSA bonds proceeds (note 6)	-	26,690,000	-	-	26,690,000
Premium on VPSA bonds (note 6)	-	3,997,373	-	-	3,997,373
Total other financing sources (uses)	(77,999,221)	80,208,808	28,894,223	(3,036,923)	28,066,887
Net change in fund balance	8,739,174	(5,019,890)	8,879,718	(8,371,592)	4,227,410
Fund balance - beginning, as restated	134,922,330	38,261,664	85,965,319	58,676,234	317,825,547
Fund balance - ending	\$ 143,661,504	33,241,774	94,845,037	50,304,642	322,052,957

The notes to the financial statements are an integral part of this statement.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2013

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities**

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

Net change in fund balances - total governmental funds \$ 4,227,410

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. The Statement of Activities also includes expenses which relate to current-year closed projects that included assets that are no longer capitalizable at the time of project closure. In addition, donated assets and gains and losses on disposal of assets are not reported in governmental funds, but are reported as revenues (expenses) in the Statement of Activities. This represents the net effect of the donated assets plus the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:

Depreciation expense	(38,142,095)	
Capital outlay expenditures	26,928,990	
Donated assets	7,148,416	
Noncapitalizable assets related to closed projects	(3,417,667)	
Asset transfers	39,429	
Loss on disposal	(65,626)	
		(7,508,553)

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. (1,512,991)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the 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, refunding costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:

Debt issued (and related costs)	(30,687,373)	
Principal repayments	45,230,609	
		14,543,236

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of the changes in:

Accrued interest	375,676	
Compensated absences	(1,221,368)	
Net pension obligation	(24,152)	
Net other post employment benefit obligation	434,095	
		(435,749)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses), excluding capital contributions from the primary government, of certain activities of the internal service funds are reported with governmental activities. (2,050,924)

Recordation of interfund loan to Chesapeake Transportation System 5,422,873

Change in net position of governmental activities **\$ 12,685,302**

The notes to the financial statements are an integral part of this statement.

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Chesapeake
VIRGINIA

Proprietary Fund Financial Statements

Major Enterprise Funds:

Public Utilities – To account for the City’s water and sewer operations.

Chesapeake Transportation System – To account for the operations of the Chesapeake Expressway and Dominion Boulevard toll roads.

Stormwater Management – To account for the operation of the City’s stormwater utility and to fund the required improvements to stormwater quality.

Internal Service Funds – Include Information Technology, City Garage, and Self-Insurance Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments (note 2)	\$ 53,358,259	987,057	6,729,267	61,074,583	34,470,028
Receivables (note 3):					
Accounts	16,052,770	109,738	10,171,186	26,333,694	87,716
Interest	70,162	-	30,462	100,624	98,532
Allowance for uncollectible amounts	(1,718,632)	(36,240)	(165,083)	(1,919,955)	-
Intergovernmental revenues due from:					
Commonwealth of Virginia	-	1,798,138	-	1,798,138	-
Federal government	-	8,191,519	-	8,191,519	-
Inventory of materials and supplies	1,430,661	-	11,689	1,442,350	343,314
Prepaid expenses	-	-	-	-	2,769,337
Total current assets	69,193,220	11,050,212	16,777,521	97,020,953	37,768,927
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	25,036,473	29,207	25,065,680	-
Cash restricted for debt service	3,002,743	-	-	3,002,743	-
Cash restricted for debt service with trustee	4,698,294	13,057,811	-	17,756,105	-
Capital construction:					
Cash and temporary investments	19,316,794	31,876,817	24,017,094	75,210,705	-
Cash and temporary investments with trustee	5,207,932	78,198,906	-	83,406,838	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	33,225,763	148,170,007	24,046,301	205,442,071	-
Capital assets (note 4 and note 9):					
Land	10,727,890	11,105,618	422,070	22,255,578	-
Intangibles	2,288,709	-	1,174,182	3,462,891	-
Construction in progress	53,246,428	110,246,992	9,551,361	173,044,781	246,632
Buildings	73,598	5,389,295	270,555	5,733,448	687,097
Improvements other than buildings	3,354,978	-	98,547	3,453,525	13,082,477
Equipment and vehicles	3,995,259	6,353,005	184,752	10,533,016	98,731,373
Infrastructure	548,987,771	82,855,938	18,853,082	650,696,791	77,584
Less accumulated depreciation	(189,955,571)	(53,941,696)	(4,314,731)	(248,211,998)	(68,127,440)
Total capital assets, net of accumulated depreciation	432,719,062	162,009,152	26,239,818	620,968,032	44,697,723
Other assets	-	-	-	-	-
Total noncurrent assets	465,944,825	310,179,159	50,286,119	826,410,103	44,697,723
Total assets	535,138,045	321,229,371	67,063,640	923,431,056	82,466,650
Deferred Outflows of Resources					
Unamortized deferred loss on refunding	3,176,095	163,400	-	3,339,495	-
Total deferred outflows of resources	3,176,095	163,400	-	3,339,495	-
Total assets and deferred outflow of resources	\$ 538,314,140	321,392,771	67,063,640	926,770,551	82,466,650
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable (note 3)	\$ 3,011,749	31,505	332,472	3,375,726	1,170,823
Accrued expenses and other liabilities (note 3)	1,366,722	2,896,673	29,526	4,292,921	28,588
Deposits (note 3)	813,778	-	-	813,778	-
Unearned revenues	1,551,577	-	-	1,551,577	-
Due to other funds (note 8)	-	27,827,253	-	27,827,253	-
Construction projects payable (note 3)	2,513,136	16,248,959	412,565	19,174,660	-
Current portion of long-term debt (note 6)	6,630,634	278,751	-	6,909,385	-
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	364,435	29,424	92,170	486,029	198,087
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	5,440,460
Total current liabilities	16,252,031	47,312,565	866,733	64,431,329	6,837,958
Noncurrent liabilities:					
Unearned revenues	243,194	-	-	243,194	-
General obligation bonds (note 6)	96,559,256	-	-	96,559,256	-
Revenue bonds (note 6)	34,138,797	158,086,439	-	192,225,236	-
Due to Commonwealth of Virginia (note 6)	-	63,483,912	-	63,483,912	-
Advances from other funds (note 8)	-	5,422,873	-	5,422,873	-
Accrued vacation, sick pay, and overtime leave (note 6)	552,612	44,617	139,764	736,993	300,371
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	21,592,955
Total noncurrent liabilities	131,493,859	227,037,841	139,764	358,671,464	21,893,326
Total liabilities	147,745,890	274,350,406	1,006,497	423,102,793	28,731,284
Deferred Inflows of Resources (note 5)					
Total deferred inflows of resources	-	-	7,576,391	7,576,391	-
Net Position					
Net investment in capital assets	303,158,107	9,558,266	26,239,818	338,956,191	44,697,723
Restricted for:					
Capital projects	-	4,909,101	-	4,909,101	-
Debt service	7,470,917	32,696,709	-	40,167,626	-
Other purposes - Expendable:					
Public Utilities Fund	79,939,226	-	-	79,939,226	-
Chesapeake Transportation System Fund	-	(121,711)	-	(121,711)	-
Stormwater Management Fund	-	-	32,240,934	32,240,934	-
Unrestricted	-	-	-	-	9,037,643
Total net position	390,568,250	47,042,365	58,480,752	496,091,367	53,735,366
Total liabilities, deferred inflows and net position	\$ 538,314,140	321,392,771	67,063,640	926,770,551	82,466,650
Net position of enterprise funds, Schedule E				\$ 496,091,367	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(1,170,944)	
Net position of business-type activities, Schedule A				\$ 494,920,423	

The notes to the financial statements are an integral part of this statement.

CITY OF CHESAPEAKE, VIRGINIA

Schedule F

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2013

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
OPERATING REVENUES					
Charges for services:					
Sale of water	\$ 32,496,941	-	-	32,496,941	-
Billings to departments	-	-	-	-	27,997,951
Billings to outside agencies & component units	-	-	-	-	2,508,838
Sewer service charges	22,757,796	-	-	22,757,796	-
Stormwater management fees	-	-	14,962,905	14,962,905	-
Tolls and tickets	-	10,275,031	-	10,275,031	-
Rental fees	921,390	12,500	-	933,890	-
Connection fees	3,328,880	-	-	3,328,880	-
Miscellaneous	490,020	11,103	9,996	511,119	-
Recovered costs	4,250	12,255	145	16,650	1,208,455
Other	-	-	-	-	-
Total operating revenues	59,999,277	10,310,889	14,973,046	85,283,212	31,715,244
OPERATING EXPENSES					
Cost of materials billed	-	-	-	-	5,314,553
Purchases for resale	18,493,856	-	-	18,493,856	1,856,986
Water production	7,011,679	-	-	7,011,679	-
Sewer maintenance and operation	4,832,135	-	-	4,832,135	-
Water maintenance and operation	2,558,417	-	-	2,558,417	-
Customer service	1,392,738	-	-	1,392,738	-
General and administrative	2,983,273	321,889	1,333,451	4,638,613	335,195
Technical services	1,287,587	-	-	1,287,587	-
Other salaries and wages	-	970,223	2,500,528	3,470,751	4,612,493
Other fringe benefits	-	426,159	1,144,945	1,571,104	1,945,150
Self-insurance losses	-	-	-	-	4,812,141
Indemnity and medical claims	-	-	-	-	3,473,695
Other repairs and supplies	-	372,362	118,982	491,344	2,510,124
Equipment rental	-	9,477	15,278	24,755	367,103
Other contractual services	-	2,571,336	3,281,721	5,853,057	769,226
Depreciation and amortization	10,817,322	4,078,440	601,831	15,497,593	9,508,613
Insurance premiums	-	-	-	-	1,314,038
Meter reading services	290,467	-	-	290,467	-
Other	2,169	11,543	-	13,712	-
Total operating expenses	49,669,643	8,761,429	8,996,736	67,427,808	36,819,317
Operating income (loss)	10,329,634	1,549,460	5,976,310	17,855,404	(5,104,073)
NONOPERATING REVENUES (EXPENSES)					
Investment income	201,183	162,448	126,879	490,510	(58,051)
Interest expense	(4,254,166)	(1,446,246)	-	(5,700,412)	(1,569)
Gain on sale of equipment	57,675	-	-	57,675	211,640
Loss on sale of equipment	(886,337)	(8,987)	(381,406)	(1,276,730)	(341,138)
Federal grants	386,380	22,841,271	-	23,227,651	-
State grant	-	5,018,780	-	5,018,780	-
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	624,424	-	-	624,424	-
Other	-	(1,764,569)	-	(1,764,569)	-
Total nonoperating revenues (expenses)	(3,870,841)	24,802,697	(254,527)	20,677,329	(189,118)
Income (loss) before transfers and contributions	6,458,793	26,352,157	5,721,783	38,532,733	(5,293,191)
Transfers in (note 8)	-	162,024	-	162,024	2,546,557
Transfers out (note 8)	-	-	(34,532)	(34,532)	(53,563)
Capital contributions	4,187,351	-	145,441	4,332,792	2,960,258
Special item - transfer (note 6)	-	(5,422,873)	-	(5,422,873)	-
Increase (decrease) in net position	10,646,144	21,091,308	5,832,692	37,570,144	160,061
Total net position - beginning, as restated	379,922,106	25,951,057	52,648,060	458,521,223	53,575,305
Total net position - ending	\$ 390,568,250	47,042,365	58,480,752	496,091,367	53,735,366

Change in net position of enterprise funds, Schedule F
 Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
 Change in net position of business-type activities, Schedule B

\$ 37,570,144
 372,650
\$ 37,942,794

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2013

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 60,817,355	5,081,779	14,883,552	80,782,686	31,733,256
Payments to suppliers	(26,632,146)	(3,521,936)	(4,479,663)	(34,633,745)	(20,299,879)
Payments to employees	(11,223,108)	(1,428,432)	(3,645,595)	(16,297,135)	(6,558,306)
Net cash provided by (used in) operating activities	22,962,101	131,411	6,758,294	29,851,806	4,875,071
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	162,024	-	162,024	2,546,557
Transfers out	-	-	(34,532)	(34,532)	(53,563)
Net cash provided by (used in) noncapital financing activities	-	162,024	(34,532)	127,492	2,492,994
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Commonwealth of Virginia	-	5,018,780	-	5,018,780	-
Proceeds from Federal government	1,010,804	22,841,271	-	23,852,075	-
Proceeds from revenue bonds	-	139,586,012	-	139,586,012	-
Proceeds from sale of capital assets	(7,325)	-	-	(7,325)	413,354
Payment to escrow agent for refunded bonds (note 6)	(70,821)	-	-	(70,821)	-
Principal payment of long-term debt	(5,565,000)	(612,588)	-	(6,177,588)	-
Acquisition of capital assets	(14,897,466)	(62,078,033)	(2,092,440)	(79,067,939)	(4,334,427)
Increase (decrease) in construction projects payable	428,868	14,801,771	204,337	15,434,976	-
Interest paid	(6,340,082)	(2,147,867)	-	(8,487,949)	(1,569)
Repayments of obligations under capital leases	-	-	-	-	(87,462)
Other debt payments	-	(1,764,569)	-	(1,764,569)	-
Due to other funds	-	24,508,138	-	24,508,138	-
Net cash provided by (used in) capital and related financing activities	(25,441,022)	140,152,915	(1,888,103)	112,823,790	(4,010,104)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	256,795	162,448	129,412	548,655	(56,468)
Net cash provided by investing activities	256,795	162,448	129,412	548,655	(56,468)
Net increase (decrease) in cash and temporary investments	(2,222,126)	140,608,798	4,965,071	143,351,743	3,301,493
Cash and temporary investments beginning of year	88,806,148	8,548,266	25,810,497	123,164,911	31,168,535
Cash and temporary investments end of year	\$ 86,584,022	149,157,064	30,775,568	266,516,654	34,470,028
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 10,329,634	1,549,460	5,976,310	17,855,404	(5,104,073)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,817,322	4,078,440	601,831	15,497,593	9,508,613
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	1,043,237	(5,229,110)	(215,213)	(4,401,086)	18,012
Prepaid expenses and other assets	-	-	-	-	(1,454,589)
Inventory of materials and supplies	(339,689)	-	(11,611)	(351,300)	62,505
Accounts payable	1,298,283	(235,329)	275,130	1,338,084	506,994
Deposits	3,484	-	-	3,484	-
Unearned revenue	(10,574)	-	-	(10,574)	-
Deferred inflows	(218,069)	-	125,719	(92,350)	-
Accrued expenses and other liabilities	(2,591)	131	6,250	3,790	(18,167)
Liability for self insurance losses	-	-	-	-	1,352,051
Accrued vacation, sick pay, and overtime leave	41,064	(32,181)	(122)	8,761	3,725
Total adjustments	12,632,467	(1,418,049)	781,984	11,996,402	9,979,144
Net cash provided by (used in) operating activities	\$ 22,962,101	131,411	6,758,294	29,851,806	4,875,071
Supplemental information on significant noncash transactions:					
Contributions of capital assets:					
Public Utilities Fund	\$ 4,187,351				
Chesapeake Transportation Fund					
Stormwater Fund			\$ 145,441		
Internal Service Funds					\$ 2,960,258

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund

Trust Fund – Includes Other Postemployment Benefits Fund



CITY OF CHESAPEAKE, VIRGINIA

Schedule H

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	<u>Agency Special Welfare</u>	<u>Other Postemployment Benefits Trust</u>
ASSETS		
Cash and temporary investments (note 2)	\$ 1,597	-
Investments with trustee, at fair value (note 2)		
Stocks	-	25,328,920
Taxable bonds	-	15,310,551
Money market	-	35,603
Total assets	\$ 1,597	40,675,074
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	\$ -	30,460
Due to children under foster care	1,597	-
Total liabilities	1,597	30,460
Net Position		
Held in trust for other postemployment benefits	-	40,644,614
Total liabilities and net position	\$ 1,597	40,675,074

The notes to the financial statements are an integral part of this statement.

CITY OF CHESAPEAKE, VIRGINIA**Schedule I**

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended June 30, 2013

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	\$ 11,069,095
Contributions from plan members (note 11)	1,902,249
Investment income:	
Interest and dividend income	2,143,522
Net appreciation (depreciation) in fair value of investments	1,429,749
Less investment expenses	93,971
Net investment income	3,479,300
Total additions	16,450,644
DEDUCTIONS	
Administrative expenses	21,607
Benefits and refunds paid on behalf of plan members and beneficiaries	4,746,344
Total deductions	4,767,951
Change in net position	11,682,693
Held in trust for other postemployment benefits - beginning of year	28,961,921
Held in trust for other postemployment benefits - end of year	\$ 40,644,614

The notes to the financial statements are an integral part of this statement.

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Chesapeake
VIRGINIA

Other Discretely Presented Component Units

Chesapeake Mosquito Control Commission – To account for the operation of the City's Mosquito Control Commission.

Economic Development Authority (EDA) – To account for the operation of the EDA, which is responsible for promoting industry and developing trade.

Chesapeake Port Authority – To account for the operation of the City's Port Authority.

Chesapeake Airport Authority – To account for the operation of the Chesapeake Airport and its ancillary activities.

Elizabeth River Properties of Chesapeake, Inc. (ERPC) - To account for the operation of ERPC which assists the City's Community Services Department with residential services.



CITY OF CHESAPEAKE, VIRGINIA

Schedule J-1

Combining Statement of Net Position
 Other Discretely Presented Component Units
 June 30, 2013

	Governmental Activities		Business-type Activities			
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.	Total
ASSETS						
Current assets:						
Cash and temporary investments (note 2)	\$ 4,355,766	2,576,755	8,379	532,321	804,194	8,277,415
Intergovernmental revenues due from (note 3):						
Commonwealth of Virginia:	10,452	-	-	-	-	10,452
Receivables, net of allowance for uncollectible amounts	-	1,758,566	-	26,534	17,551	1,802,651
Inventories	249,648	8,166,855	-	-	-	8,416,503
Prepaid expenses	-	-	-	-	4,842	4,842
Capital assets:						
Land	530,778	-	-	1,095,930	448,707	2,075,415
Buildings	2,620,364	-	-	-	1,246,401	3,866,765
Improvements other than buildings	14,897	-	-	19,092,369	34,726	19,141,992
Equipment and vehicles	1,790,434	-	-	222,863	-	2,013,297
Less accumulated depreciation	(1,930,100)	-	-	(11,798,737)	(279,155)	(14,007,992)
Other assets	-	24,746	-	53,904	-	78,650
Total assets	7,642,239	12,526,922	8,379	9,225,184	2,277,266	31,679,990
LIABILITIES AND NET POSITION						
Liabilities						
Accounts payable and accrued expenses	108,185	73,050	-	50,614	-	231,849
Deferred revenues	-	-	-	33,809	-	33,809
Due to primary government	-	1,319,095	944,407	304,100	-	2,567,602
Current portion of long-term debt	-	1,764,746	-	85,000	-	1,849,746
Long term liabilities	-	-	-	1,080,000	-	1,080,000
Total liabilities	108,185	3,156,891	944,407	1,553,523	-	5,763,006
Net Position						
Net investment in capital assets	3,026,373	-	-	7,143,325	1,450,679	11,620,377
Restricted	-	-	-	208,368	449,931	658,299
Unrestricted	4,507,681	9,370,031	(936,028)	319,968	376,656	13,638,308
Total net position	7,534,054	9,370,031	(936,028)	7,671,661	2,277,266	25,916,984
Total liabilities and net position	\$ 7,642,239	12,526,922	8,379	9,225,184	2,277,266	31,679,990

The notes to the financial statements are an integral part of this statement.

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc	
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 4,520,768	-	3,871,642	(649,126)	-	-	-	-	(649,126)
Business-type Activities									
Economic Development Authority	883,000	-	751,034	-	(131,966)	-	-	-	(131,966)
Chesapeake Port Authority	50,187	39,400	10,987	-	-	200	-	-	200
Chesapeake Airport Authority	1,285,463	434,049	745,430	-	-	-	(105,984)	-	(105,984)
Elizabeth River Properties of Chesapeake, Inc	188,512	97,283	40,106	-	-	-	-	(51,123)	(51,123)
Total component units	\$ 6,927,930	570,732	5,419,199	(649,126)	(131,966)	200	(105,984)	(51,123)	(937,999)
Change in net position				\$ (649,126)	(131,966)	200	(105,984)	(51,123)	(937,999)
Net position - beginning				8,183,180	9,501,997	(936,228)	7,777,645	2,328,389	26,854,983
Net position - ending				\$ 7,534,054	9,370,031	(936,028)	7,671,661	2,277,266	25,916,984

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies***The Reporting Entity***

The City of Chesapeake, Virginia (the City) was formed on January 1, 1963, under the provision of Chapter 211 of the Acts of Assembly of 1962, by the merger of the former City of South Norfolk and the County of Norfolk. The City is comprised of six boroughs; one borough representing the former City of South Norfolk and five boroughs representing the five magisterial districts of the former County of Norfolk.

The City's reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

The accompanying financial statements present the City (the primary government) and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

All of the City's component units are discretely presented except the CSB of Chesapeake, Inc. (CSBC, Inc.) which is blended with the City's governmental activities and the City of Chesapeake Other Postemployment Benefits Trust Fund (OPEB Trust Fund) which is a fiduciary-type component unit. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading. These component units are reported in separate columns to emphasize that they are legally separate from the City. All of the City's component units have a fiscal year end of June 30. The following component units are discretely presented in the City's financial statements:

- The Chesapeake Public Schools (the Schools) are responsible for elementary and secondary education within the City. All nine members of the School Board are elected. The City Council approves the annual budget of the Public Schools, levies the necessary taxes to finance the Public Schools' operations, and approves the borrowing of money and the issuance of bonds. Separate audited financial statements are available from the Chesapeake Public Schools at 312 Cedar Road, Chesapeake, Virginia 23322.
- The Economic Development Authority of the City of Chesapeake (the EDA) was established under the Industrial Development and Revenue Bond Act, *Code of Virginia*. The EDA is responsible for promoting industry and developing trade by inducing manufacturing, industrial, and commercial enterprises to locate or to remain in the City. The City Council appoints the members of the Board of the EDA. The EDA issued lease revenue bonds for two major construction projects for which the City is the lessor. The City also appropriates funds annually to pay the administrative expenses of the EDA. Separate audited financial statements for the EDA are available through the City's Department of Economic Development at 676 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes of \$.01 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. The Commission does not issue separate audited financial statements.
- Elizabeth River Properties of Chesapeake, Inc. (ERPC) is a not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. ERPC provides housing for individuals served by the City's Community Services Department. The Community Services' Board of Directors, whose members are appointed by City Council, appoints the members of the Board of ERPC and appropriates funds annually to provide rental assistance to individuals served by Community Services. The Community Services Board has also transferred funds to ERPC to be used for the purchase of additional residences for individuals serviced by Community Services. Separate audited financial statements are available through the City's Department of Community Services at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.

Blended component units are entities that are legally separate from the City, but which provide services entirely, or almost entirely, to the City or otherwise exclusively benefit the City. Activities of blended component units are considered to be so intertwined with the City's that they are, in substance, part of the City's operations. CSBC, Inc. is considered to be a blended component unit in the City's financial statements. CSBC, Inc. was organized for the purpose of owning and financing a building to be used as a community services building by the City. CSBC, Inc. issued lease revenue bonds backed by the City's general obligation pledge. The City Council appoints the members of the Board of Directors and appropriates funds annually to pay rent on the building which CSBC, Inc. then uses to pay debt service on the bonds. No distinction is made between the activities of CSBC, Inc. and the City. As a result, CSBC, Inc. is reported as a special revenue fund in the City's financial statements. It does not issue separate audited financial statements.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

Fiduciary-type component units are entities that are legally separate from the City, but are included within the fiduciary fund financial statements, where no distinction is made between component units and fiduciary funds of the City. The OPEB Trust Fund is a fiduciary-type component unit of the City established for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The City Council appoints the members of the OPEB Trust Fund Finance Board and appropriates funds annually to pay current retiree health insurance premiums and prefund future benefits. The OPEB Trust Fund is included as a fiduciary fund in the City's financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate discretely presented component units for which the primary government is financially accountable.

Separate government-wide financial statements are also provided for the Chesapeake Public Schools and other discretely presented component units which are aggregated in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund financial statements are custodial in nature, do not involve the measurement of results of operations, and use the accrual basis of accounting.

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual (i.e. both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually within 60 days after year end. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the related fund liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

In the fund financial statements, real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year end are reflected as deferred inflows of resources. Sales and utility taxes, which are collected by the Commonwealth of Virginia or utility companies by year end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City. Licenses and permits, fines and forfeitures, charges for services, and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources for the payment of principal, interest, and related costs on long-term debt of governmental funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of most major capital facilities other than those financed by proprietary funds.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

The City reports the following major proprietary funds:

The *Public Utilities Fund* accounts for the operation of the City's water and sewer departments.

The *Chesapeake Transportation System Fund* accounts for the operation of the Chesapeake Expressway toll road and related construction projects and to the Dominion Boulevard improvement project.

The *Stormwater Management Fund* accounts for the operation of the City's stormwater utility and to fund the required improvements to stormwater quality.

Operations of the proprietary funds are designed to be primarily self-supporting through user charges. These funds service their own debt and construction projects and record the acquisition of their depreciable assets and land.

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature for specific purposes. Examples include providing services to mental health, mental retardation and substance abuse programs, juvenile detention services, emergency call center services, activities of the Community Development Block Grant Program, individual grant programs, tax increment financing districts, accounting for cash proffers provided by developers for specific purposes and rendering economic aid to certain qualifying citizens under several different programs.

Permanent Funds account for the investment of funds donated to the City whose principal must be maintained in perpetuity.

Internal Service Funds account for central computer and information technology services, central fleet management services for City-owned vehicles, services of the City's self-insurance program, and the termination benefits program provided to other departments, agencies, or components units of the City on a cost-reimbursement basis.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

Fiduciary funds:

The *Special Welfare Agency Fund* accounts for the transfer of funds provided by the Virginia Public Assistance Fund for aid to dependent children. The City acts in an agent capacity for these individual dependent children.

The *Other Postemployment Benefits (OPEB) Trust Fund* accounts for assets accumulated to fund other postemployment benefit obligations of the City. The component unit acts in a trustee capacity for retirees and beneficiaries receiving these benefits.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's public utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The Public Utilities Enterprise Fund also recognizes certain rental fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Temporary Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position or Balance Sheet as "Cash and temporary investments." In addition, the City has restricted deposits held by trustees for future retirements of bonds at the appropriate call date, and construction projects.

Cash and temporary investments are stated at fair value, which is based on quoted market prices. For U.S. Government securities with maturity dates of less than one year, the investments are valued at amortized cost. Because the City uses the pooled cash investment method, individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit, with original maturities of three months or less from the date of purchase, are grouped into cash and temporary investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” in the fund statements. All residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

In the fund statements, long-term interfund advances and advances to component units are recorded as receivables with corresponding nonspendable classification of fund balance by the advancing fund.

Provisions for uncollectible advances to component units are based upon the terms of the notes, which are non-interest bearing, unsecured with the City.

Provisions for uncollectible water, sewer, stormwater, community services client fees, emergency medical bills, solid waste and miscellaneous invoices are based upon a historical analysis of uncollected accounts and are applied as a percentage of delinquent/terminated accounts in the year end accounts receivable balance.

Provision for uncollectible property taxes is based upon a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable.

The two major sources of property taxes are described below as reported in the fund financial statements:

Real Estate

Each year as of July 1, the City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate taxes are levied on the estimated market value of the property and become a lien on real property the first day of the levy year. The City follows the practice of reassessing all property annually.

Real estate taxes are collected in quarterly payments due September 30, December 30, March 30, and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, 2012, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2013 was \$1.04 per \$100 of assessed value with an additional \$.01 per \$100 of assessed value for mosquito control services.

Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2013 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2013 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(1) **Continued**

Inventories and Prepaids

Inventory consists of expendable materials and supplies held for future consumption and are valued using the weighted average cost method. All inventories of governmental funds and proprietary funds are recorded under the consumption method as expenditures or expenses when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, intangible assets, buildings, improvements, equipment, vehicles, and infrastructure assets (i.e. roads, bridges, drainage, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Drainage infrastructure assets are capitalized in the Stormwater Management Fund to the extent they are funded with stormwater fees. All other drainage is capitalized in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed including applicable capitalized interest.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Useful Lives
Buildings	10-50 years
Improvements other than buildings	10-45 years
Software, equipment and vehicles	3-50 years
Infrastructure	10-50 years

Vacation, Sick Pay, and Accrued Overtime Leave

City employees are granted vacation, sick pay and accrued overtime leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay and accrued overtime leave earned and, upon retirement, termination, or death, may be compensated for certain amounts at their most current rate of pay. The costs of accumulated vacation and overtime leave are accrued as a liability as the benefits are earned by employees if attributable to services already rendered and compensation through paid time off or some other means is probable. Sick leave liability is accrued as the benefits are earned by employees if it is probable the City will compensate the employees for the benefits.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued

through cash payments conditioned upon the employees' termination or retirement. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applied to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts, as well as gains or losses on refunding, are deferred and amortized over the life of the bonds using the straight-line method. Beginning with the 2007B Series of bonds issued, the effective interest method is applied to that and all subsequent bond premiums and discounts for all issuances where the straight line method is materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses on bond refundings are reported as deferred outflows or inflows, respectively.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond refunding costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and refunding costs are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. However, fund balances in the fund financial statements at year end have been accordingly committed.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(1) **Continued**

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City charter). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council, the highest level of decision making authority for the City. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts can be assigned either by any action of the governing board, or by designees with authority to assign. The City may delegate to the City Manager the authority to assign amounts of a fund balance to promote sound financial operations of the City or to meet future obligations. In governmental funds other than the general fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(1) Continued***Minimum Fund Balance Policy***

The City charter requires that a minimum of 6% of the total General Fund revenue be restricted for emergency use and cash flow needs throughout the fiscal year. In addition, the City Council has committed an additional 5% of the total General Fund revenue to be used for emergency operating purposes. The City Council has also committed \$20 million for an emergency event response and recovery reserve, such as storm related events.

(2) Deposits and Investments***Deposits***

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The carrying value of pooled deposits, as of June 30, 2013 is \$307,879,280 including petty cash of \$44,612 and cash in the special welfare fiduciary fund of \$1,597. Cash of \$833,686 is being held by the Commonwealth of Virginia.

Investments

Statutes, as well as the City's investment policy, authorize the City to invest in obligations of the United States or agencies thereof; "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, certain certificate of deposits and time deposits and the State Treasurer's Local Government Investment Pool (LGIP). Money market accounts and mutual funds with underlying securities which are within the parameters described above are also allowable as well as investment of funds in deposits. Though not authorized by the City's investment policy, statutes do allow the following investments: obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, obligations of any state of the United States, obligations of any city, county, town or district situated in any one of the states of the United States, and certificates representing ownership of either treasury bond principal at maturity or its coupons for accrued periods.

Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote are the specifically identified investment ratings as of June 30, 2013.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(2) Continued*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits of the City are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-400 et. seq. of the Code of Virginia or covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Investments

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City of Chesapeake investment policy requires securities be purchased only from brokerage firms/institutions with offices that are under the Commonwealth of Virginia's supervision and located in the Commonwealth of Virginia. The City holds no investments that are at risk.

Concentration of Credit Risk

The City of Chesapeake investment policy requires that its portfolio be diversified with not more than 5% of the value of the portfolio invested in securities of any single issuer, excluding securities of the U.S. Government or agency thereof, government-sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.

At June 30, 2013, the City was holding certificate of deposits in BB&T of \$120,000,000 which represented 31.99%; and TowneBank of \$50,000,000 which represented 12.91% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments other than U.S. Treasury securities, mutual funds, and external investment pools.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits U.S. Treasury and U.S. Agency securities to maturities of less than five years; guaranteed investment contracts to maturities of less than 30 years; bankers acceptances to maturities of less than 180 days; commercial paper to maturities of less than 270 days; and corporate notes to maturities of less than five years.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. These debt agreements limit U.S. Agency securities to maturities of less than five years and guaranteed investment contracts to maturities of less than 30 years.

The City assumes all investments will be held until maturity or until called at their par value. However, an investment may be sold at an earlier date to meet certain obligations or if the investment's credit quality drops. This makes the City's investments sensitive to market rate fluctuations. To mitigate the impact of market rate fluctuations, the City maintains enough liquidity to meet its short-term needs with a smaller portion invested in long-term government-sponsored organizations and high-quality corporate notes.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(2) Continued*Foreign Currency Risk*

The City of Chesapeake OPEB Trust invests in U.S. dollars denominated mutual funds that may invest in international stocks, bonds, and other assets. Although the assets of the funds are all held in U.S. dollars, the market value of the assets may fluctuate in part due to changes in foreign currency exchange rates.

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the OPEB fiduciary trust fund have been pooled with the cash and investments of the primary government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$3,921,649 have been excluded because risk information is not available.

A reconciliation of the carrying value of deposits and investments as reported above to amounts reported in the Statement of Net Position and Statement of Fiduciary Net Position for the reporting entity is as follows:

Deposits and investments:		
Pooled deposits	\$	308,606,944
State set-aside fund		833,686
Investments		380,642,472
Other Component Units		3,921,649
Total deposits and investments	\$	694,004,751
Per Schedules A and H-1:		
Cash and temporary investments	\$	346,278,102
Cash and temporary investments with trustee		65,740,758
Cash restricted for debt service		3,002,743
Cash restricted for debt service with trustee		17,756,105
Cash with State Set-Aside		833,686
Cash restricted for Public Utilities improvement and redemption		1,000,000
Investment - zero coupon bond		729,068
Capital construction - cash and temporary investments		173,231,184
Capital construction - cash and temporary investments with trustee		85,433,105
Total cash and temporary investments per Schedules A and H-1	\$	694,004,751

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(2) Continued

Investments by type at year-end are shown below:

	Amount	Rating	
Investments:			
Bank Money Market Accounts	\$ 19,478,611	AAA	
U.S. Government-Sponsored Coupon Securities	5,673,005	AAA	
U.S. Government-Sponsored Coupon Securities	77,709,275	AA+	
U.S. Government-Sponsored Coupon Securities	3,004,020	Aae	
Corporate Notes	201,258	AAA	
Corporate Notes	452,139	AA+	
Corporate Notes	1,005,812	AA	
Corporate Notes	1,196,498	AA-	
Corporate Notes	2,908,530	Ae3e	
Federal Agency Step-Up	1,966,920	AA+	
Municipal Bonds - Taxable	3,425,534	AA+	
Municipal Bonds - Taxable	2,188,931	AA	
Municipal Bonds - Taxable	494,205	AA2	
Municiple Bonds - No Taxable	1,097,763	AAA	
Municiple Bonds - No Taxable	382,041	AA+	
Municiple Bonds - No Taxable	1,009,504	AA	
Municiple Bonds - No Taxable	459,333	AA-	
Municiple Bonds - No Taxable	104,009	AA2	
Local Government Investment Pool	31,473,790	AAA	
OPEB - Money at US Bank	40,640,308	AAA	
OPEB - Money at Local Investment Pool	34,767	AAA	
Virginia State Non-Arbitrage Program	36,982,619	AAA	
Evergreen Money Market Mutual Fund	52,976	AAA	
Total	\$ 231,941,848		
Restricted investments:			
Money market deposit	1,994,262	Unrated	
Va State Non-Arbitrage Program (Expressway, Jail, and VML)	8,177,721	AAA	
Wells Fargo Advantge Heritage - Money Mkt Institutional (VML)	13	AAA	
Federated U.S. money market mutual fund	1,760,501	AAA	
U.S. Government-sponsored discount securities	729,068	AAA	
PFM - SNAP (Virginia State Non-Arbitrage Program)	135,676,934	AAA	
First Americ Treas Oblig Fd - CI D	362,125	AAA	
Total	\$ 148,700,624		
Total Investments and Restricted Investments	\$ 380,642,472		
	Investments	Restricted Investments	Total
Investment totals by rating:			
AAA	\$ 135,635,097	146,706,362	282,341,459
AA+	83,935,909	-	83,935,909
AA	4,204,247	-	4,204,247
AA-	1,655,831	-	1,655,831
AA2	598,214	-	598,214
Ae3e	2,908,530	-	2,908,530
Aae	3,004,020	-	3,004,020
Unrated	-	1,994,262	1,994,262
Total	\$ 231,941,848	148,700,624	380,642,472

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Position as of June 30, 2013 are as follows:

		Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$	34,607,292	1,798,138
Due from Federal government		4,802,024	8,191,519
Due from customers		3,367,819	24,413,739
Property taxes receivable		27,510,324	-
Interest receivable		724,609	100,624
Other		11,073,679	-
Total accounts receivable	\$	82,085,747	34,504,020

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2013 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,329,477	-	23,425	1,254,390
Due from Federal government	-	-	1,206,977	3,595,047
Property taxes receivable	27,510,324	-	-	-
Interest receivable	476,307	149,021	36	713
Other	12,187,651	-	-	2,166,129
Total accounts receivable	\$ 73,503,759	149,021	1,230,438	7,016,279

Property taxes receivable in the General Fund as of June 30, 2013 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 8,704,906	112,073	8,592,833
Personal property	20,927,938	2,017,060	18,910,878
Public service corporations	6,613	-	6,613
Total property taxes receivable	\$ 29,639,457	2,129,133	27,510,324

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(3) Continued

The total allowance for uncollectible amounts in the General Fund is \$6,414,266, which includes the allowance for uncollectible taxes shown above in the amount of \$2,129,133, an \$815,776 allowance for uncollectible emergency medical service fees, a \$285,957 allowance for uncollectible vehicle license fees, \$5,693 allowance for uncollectible solid waste fees, \$80,205 allowance for uncollectible miscellaneous City invoices and an \$834,000 allowance for the Gateway at SoNo receivable. Provisions have been made for allowances for the EDA advance of \$1,319,095 and the Port Authority advance of \$944,407. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from community services.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2013 are as follows:

	Due From Customers and Others	Interest Receivable	Due from Commonwealth of Virginia	Due from Federal Government
Public Utilities Fund	\$ 14,334,138	70,162	-	-
Chesapeake Transportation System	73,498	-	1,798,138	8,191,519
Stormwater Management Fund	10,006,103	30,462	-	-
Internal Service Funds	87,716	98,532	-	-
Total accounts receivable	\$ 24,501,455	199,156	1,798,138	8,191,519

Accounts payable, deposits, and accrued expenses in the Statement of Net Position as of June 30, 2013 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 9,032,789	3,375,726
Deposits	1,359,132	813,778
Accrued expenses, excluding interest	3,175,225	76,653
Construction projects payable	2,866,497	19,174,660
Due to Commonwealth of Virginia	55,588	-
Due to Federal government	10,088	-
Other liabilities	475,037	-
Accrued interest payable	4,785,687	4,216,268
Total accounts payable, deposits, and accrued expenses	\$ 21,760,043	27,657,085

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2013 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Accounts payable and deposits	\$ 7,675,116	3,550	-	1,542,429
Accrued expenditures, excluding interest	3,065,301	-	-	81,336
Construction projects payable	-	-	2,866,497	-
Due to Commonwealth of Virginia	175	-	-	55,413
Due to Federal government	-	-	-	10,088
Other liabilities	475,037	-	-	-
Total accounts payable, deposits, and accrued expenditures	\$ 11,215,629	3,550	2,866,497	1,689,266

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2013 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 3,825,527	34,525	2,513,136	1,332,197
Chesapeake Expressway Fund	31,505	12,602	16,248,959	2,884,071
Stormwater Management Fund	332,472	29,526	412,565	-
Internal Service Funds	1,170,823	28,588	-	-
Total accounts payable, deposits, and accrued expenses	\$ 5,360,327	105,241	19,174,660	4,216,268

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 41,214,788	5,557,897	(18,722)	46,753,963
Land - School	3,016,081	-	-	3,016,081
Intangibles	268,681,456	2,989,715	-	271,671,171
Construction in progress	101,784,746	23,809,052	(39,370,273)	86,223,525
Construction in progress - ISF	1,476,582	168,814	(1,398,764)	246,632
Total capital assets, not being depreciated	416,173,653	32,525,478	(40,787,759)	407,911,372
Capital assets, being depreciated:				
Buildings	188,636,535	14,568,691	(66,542)	203,138,684
Buildings - ISF	600,465	86,632	-	687,097
Buildings - School	398,155,725	-	-	398,155,725
Improvements other than buildings	20,307,444	278,608	-	20,586,052
Improvements other than buildings - ISF	5,911,130	7,171,347	-	13,082,477
Equipment and vehicles	25,970,682	10,823,412	(3,570,494)	33,223,600
Software, equipment and vehicles - ISF	95,366,623	8,938,841	(5,574,091)	98,731,373
Infrastructure	1,083,625,954	12,143,261	(111,414)	1,095,657,801
Infrastructure - ISF	77,584	-	-	77,584
Total capital assets being depreciated	1,818,652,142	54,010,792	(9,322,541)	1,863,340,393
Less accumulated depreciation for:				
Buildings	(74,175,162)	(4,789,070)	66,542	(78,897,690)
Buildings - ISF	(91,677)	(106,918)	-	(198,595)
Buildings - School	(138,712,111)	(7,692,528)	-	(146,404,639)
Improvements other than buildings	(9,980,963)	(988,579)	-	(10,969,542)
Improvements other than buildings - ISF	(1,799,071)	(8,243,551)	-	(10,042,622)
Equipment and vehicles	(18,615,445)	(4,134,665)	1,676,422	(21,073,688)
Software, equipment and vehicles - ISF	(54,083,240)	(8,825,176)	5,031,239	(57,877,177)
Infrastructure	(850,762,165)	(20,614,384)	96,178	(871,280,371)
Infrastructure - ISF	(3,893)	(5,153)	-	(9,046)
Total accumulated depreciation	(1,148,223,727)	(55,400,024)	6,870,381	(1,196,753,370)
Total capital assets being depreciated, net	670,428,415	(1,389,232)	(2,452,160)	666,587,023
Capital assets, net	\$ 1,086,602,068	31,136,246	(43,239,919)	1,074,498,395

**Beginning balances have been restated to reflect that three projects have been moved from the Capital Projects Fund into the newly formed Chesapeake Transportation System Fund.

Historically, the City has recorded all intangible assets as capital assets. In order to clarify the different types of fixed assets, in accordance with GASB 51, a separate category for certain types of intangibles has been created. Land easements and right of ways were transferred to the newly created intangible category.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Governmental Activities capital assets net of accumulated depreciation at June 30, 2013 are comprised of the following:

General Government Capital Assets, net	\$	1,029,800,672
Internal Service Fund Capital Assets, net		44,697,723
Total	\$	1,074,498,395

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2013 as follows:

General government	\$	6,533,501
Public safety		1,271,407
Public works		1,802,027
Public welfare		122,472
Parks and recreation		105,777
Education		7,692,528
Net unallocated portion (depreciation of general infrastructure assets)		20,614,383
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		9,508,613
Total depreciation expense, governmental activities	\$	47,650,708

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$19,429,215 includes the unallocated portion of depreciation expense noted above of \$20,614,383 net of amortization of deferred bond premiums and refunding costs of \$1,185,168. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$7,749,316.

Construction in progress for governmental activities is composed of the following:

Function	Project Authorization	Expended to June 30, 2013	Committed	Required Future Financing
General government	\$ 106,464,276	36,726,934	69,737,342	none
Public safety	60,900,913	17,230,767	43,670,146	none
Public works	43,595,664	15,309,883	28,285,781	none
Parks	19,231,303	17,088,928	2,142,375	none
Education	1,458,678	113,645	1,345,033	none
Total	\$ 231,650,834	86,470,157	145,180,677	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,250,578	70,000	(65,000)	22,255,578
Intangibles	3,206,451	256,440	-	3,462,891
Construction in progress	93,182,680	85,778,608	(5,916,507)	173,044,781
Total capital assets, not being depreciated	118,639,709	86,105,048	(5,981,507)	198,763,250
Capital assets, being depreciated:				
Buildings	5,714,718	110,253	(91,523)	5,733,448
Improvements other than buildings	3,410,925	42,600	-	3,453,525
Equipment and vehicles	9,939,919	2,260,393	(1,667,296)	10,533,016
Infrastructure	644,625,181	6,071,610	-	650,696,791
Total capital assets, being depreciated	663,690,743	8,484,856	(1,758,819)	670,416,780
Less accumulated depreciation for:				
Buildings	(1,490,215)	(154,050)	3,241	(1,641,024)
Improvements other than buildings	(817,603)	(85,681)	-	(903,284)
Equipment and vehicles	(7,680,952)	(487,655)	543,848	(7,624,759)
Infrastructure	(222,576,935)	(15,465,996)	-	(238,042,931)
Total accumulated depreciation	(232,565,705)	(16,193,382)	547,089	(248,211,998)
Total capital assets being depreciated, net	431,125,038	(7,708,526)	(1,211,730)	422,204,782
Capital assets, net	\$ 549,764,747	78,396,522	(7,193,237)	620,968,032

**Beginning balances have been restated to reflect that three projects have been moved from the Capital Projects Fund into the newly formed Chesapeake Transportation System Fund.

Depreciation expense for business-type activities was charged to functions of the primary government as follows:

Public Utilities	\$ 11,333,120
Chesapeake Expressway	4,244,495
Stormwater Management	601,831
Total depreciation expense, business-type activities	\$ 16,179,446

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$448.5 million at June 30, 2013. There was \$5,122,908 of capitalized interest incurred this fiscal year related to construction in progress. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$13,936.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,787,890	5,000	(65,000)	10,727,890
Intangibles	2,205,683	83,026	-	2,288,709
Construction in progress	37,711,850	16,907,014	(1,372,436)	53,246,428
Total capital assets, not being depreciated	50,705,423	16,995,040	(1,437,436)	66,263,027
Capital assets, being depreciated:				
Buildings	165,121	-	(91,523)	73,598
Improvements other than buildings	3,312,378	42,600	-	3,354,978
Equipment and vehicles	4,437,833	834,329	(1,276,903)	3,995,259
Infrastructure	544,252,137	4,735,634	-	548,987,771
Total capital assets, being depreciated	552,167,469	5,612,563	(1,368,426)	556,411,606
Less accumulated depreciation for:				
Buildings	(41,557)	(1,194)	3,241	(39,510)
Improvements other than buildings	(800,357)	(80,754)	-	(881,111)
Equipment and vehicles	(2,435,668)	(326,968)	543,848	(2,218,788)
Infrastructure	(175,891,958)	(10,924,204)	-	(186,816,162)
Total accumulated depreciation	(179,169,540)	(11,333,120)	547,089	(189,955,571)
Total capital assets being depreciated, net	372,997,929	(5,720,557)	(821,337)	366,456,035
Capital assets, net	\$ 423,703,352	11,274,483	(2,258,773)	432,719,062

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Chesapeake Transportation System Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	46,591,554	67,126,875	(3,471,437)	110,246,992
Total capital assets, not being depreciated	57,697,172	67,126,875	(3,471,437)	121,352,610
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	5,321,921	1,040,071	(8,987)	6,353,005
Infrastructure	82,355,685	500,253	-	82,855,938
Total capital assets, being depreciated	93,066,901	1,540,324	(8,987)	94,598,238
Less accumulated depreciation for:				
Buildings	(1,391,217)	(134,732)	-	(1,525,949)
Equipment and vehicles	(5,142,272)	(137,300)	-	(5,279,572)
Infrastructure	(43,154,363)	(3,981,812)	-	(47,136,175)
Total accumulated depreciation	(49,687,852)	(4,253,844)	-	(53,941,696)
Total capital assets being depreciated, net	43,379,049	(2,713,520)	(8,987)	40,656,542
Capital assets, net	\$ 101,076,221	64,413,355	(3,480,424)	162,009,152

**Beginning balances have been restated to reflect that three projects have been moved from the Capital Projects Fund into the newly formed Chesapeake Transportation System Fund.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Stormwater Management Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 357,070	65,000	-	422,070
Intangibles	1,000,768	173,414	-	1,174,182
Construction in progress	8,879,276	1,744,719	(1,072,634)	9,551,361
Total capital assets, not being depreciated	10,237,114	1,983,133	(1,072,634)	11,147,613
Capital assets, being depreciated:				
Buildings	160,302	110,253	-	270,555
Improvements other than buildings	98,547	-	-	98,547
Equipment and vehicles	180,165	385,993	(381,406)	184,752
Infrastructure	18,017,359	835,723	-	18,853,082
Total capital assets, being depreciated	18,456,373	1,331,969	(381,406)	19,406,936
Less accumulated depreciation for:				
Buildings	(57,441)	(18,124)	-	(75,565)
Improvements other than buildings	(17,246)	(4,927)	-	(22,173)
Equipment and vehicles	(103,012)	(23,387)	-	(126,399)
Infrastructure	(3,530,614)	(559,980)	-	(4,090,594)
Total accumulated depreciation	(3,708,313)	(606,418)	-	(4,314,731)
Total capital assets being depreciated, net	14,748,060	725,551	(381,406)	15,092,205
Capital assets, net	\$ 24,985,174	2,708,684	(1,454,040)	26,239,818

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(4) Continued

Discretely presented component unit - Public Schools:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,277,065	-	-	17,277,065
Construction in progress	67,272,169	21,023,031	(40,965,071)	47,330,129
Total capital assets, not being depreciated	84,549,234	21,023,031	(40,965,071)	64,607,194
Capital assets, being depreciated:				
Buildings	105,642,693	40,755,399	-	146,398,092
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	65,199,932	265,735	(1,622,584)	63,843,083
Textbooks	7,704,144	2,066,676	(1,284,703)	8,486,117
Total capital assets, being depreciated	184,150,999	43,087,810	(2,907,287)	224,331,522
Less accumulated depreciation for:				
Buildings	(11,730,376)	(2,103,499)	-	(13,833,875)
Building improvements	(3,365,269)	(169,063)	-	(3,534,332)
Furniture and equipment	(44,147,467)	(3,638,250)	1,603,275	(46,182,442)
Textbooks	(2,061,594)	(1,540,829)	1,284,703	(2,317,720)
Total accumulated depreciation	(61,304,706)	(7,451,641)	2,887,978	(65,868,369)
Total capital assets being depreciated, net	122,846,293	35,636,169	(19,309)	158,463,153
Capital assets, net	\$ 207,395,527	56,659,200	(40,984,380)	223,070,347

Depreciation expense of \$7,451,641 was charged to the Public Schools' governmental functions.

(5) Deferred Inflows of Resources

Deferred inflows of resources represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Deferred inflows of resources for the Statement of Net Position at June 30, 2013 are as follows:

	Governmental Activities	Business-type Activities
Unamortized deferred loss on refunding	\$ 376,875	-
Stormwater management fees	-	7,576,391
Total deferred inflows of resources	\$ 376,875	7,576,391

CITY OF CHESAPEAKE, VIRGINIA*Schedule K, Continued*

Notes to Basic Financial Statements
June 30, 2013

(5) Continued

Deferred inflows of resources for the primary government's fund-based financial statements at June 30, 2013 are comprised of the following:

	Governmental Funds	Enterprise Funds
Taxes receivable	\$ 24,831,019	-
Personal Property Tax Relief Act	3,209,133	-
EMS fees receivable	1,094,046	-
Stormwater management fees	-	7,576,391
Total deferred inflows of resources	\$ 29,134,198	7,576,391

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Long-Term Obligations

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2013 follows:

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 365,671,375	26,690,000	(38,943,043)	353,418,332	40,425,539
Lease revenue bond with general obligation pledge	4,000,000	-	(150,000)	3,850,000	3,850,000
	369,671,375	26,690,000	(39,093,043)	357,268,332	44,275,539
Deferred amounts:					
Plus bond premiums	15,966,031	3,997,373	(2,981,311)	16,982,093	2,559,052
Total bonds payable	385,637,406	30,687,373	(42,074,354)	374,250,425	46,834,591
Other long-term obligations:					
Net pension obligation	1,595,453	28,059,568	(28,035,416)	1,619,605	-
Net OPEB obligation	34,526,574	11,595,000	(12,029,095)	34,092,479	-
Arbitrage rebate and yield restriction	243,189	2,320	-	245,509	-
Compensated absences	17,516,932	13,534,465	(12,309,371)	18,742,026	7,448,081
Literary loans	1,920,312	-	(323,493)	1,596,819	324,034
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	2,713,052	-	(995,419)	1,717,634	960,683
Capital leases to component unit	3,905,000	-	(2,165,000)	1,740,000	1,740,000
Supplemental payments agreement	17,190,000	-	(1,365,000)	15,825,000	1,435,000
Liability for self-insurance losses	25,681,364	8,538,981	(7,186,930)	27,033,415	5,440,460
Edinburgh loan payable	3,566,037	-	(193,270)	3,372,767	312,568
Total long-term obligations	\$ 495,837,603	92,417,708	(106,677,348)	481,577,963	64,495,417

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2013 follows:

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 98,140,000	-	(4,815,000)	93,325,000	5,100,000
Revenue bonds	35,650,000	-	(750,000)	34,900,000	770,000
	133,790,000	-	(5,565,000)	128,225,000	5,870,000
Deferred amounts:					
Plus bond premiums	9,928,756	-	(814,445)	9,114,311	762,268
Less bond discounts	(12,259)	-	1,635	(10,624)	(1,634)
Total bonds payable	143,706,497	-	(6,377,810)	137,328,687	6,630,634
Compensated absences	875,983	624,974	(583,910)	917,047	364,435
	144,582,480	624,974	(6,961,720)	138,245,734	6,995,069
Chesapeake Expressway:					
Revenue bonds	19,470,000		(19,470,000)	-	-
Less bond discounts	(178,167)	-	178,167	-	-
Total bonds payable	19,291,833	-	(19,291,833)	-	-
Chesapeake Transportation System:					
Revenue bonds	-	150,722,520	-	150,722,520	-
Plus bond premiums	-	7,823,641	(180,971)	7,642,670	278,751
Total bonds payable	-	158,546,161	(180,971)	158,365,190	278,751
Due to Commonwealth of Virginia	63,210,753	375,747	(102,588)	63,483,912	-
Compensated absences	106,222	67,476	(99,657)	74,041	29,424
	82,608,808	158,989,384	(19,675,049)	221,923,143	308,175
Stormwater Management:					
Compensated absences	232,056	179,521	(179,643)	231,934	92,170
Total long-term obligations	\$ 227,423,344	159,793,879	(26,816,412)	360,400,811	7,395,414

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2013 follows:

	Balances at June 30, 2012	Increases	Decreases	Balances at June 30, 2013	Due Within One Year
Compensated absences	\$ 39,433,696	2,748,864	(1,954,735)	40,227,825	1,825,674
Net pension obligation	98,572	1,390	-	99,962	-
Net OPEB obligation	251,560,144	33,678,756	(7,222,623)	278,016,277	-
Liability for self-insurance losses	5,481,648	1,103,124	(1,237,160)	5,347,612	-
Capital leases	10,001,173	-	(1,523,079)	8,478,094	1,517,749
Total long-term obligations	\$ 306,575,233	37,532,134	(11,937,597)	332,169,770	3,343,423

The *Code of Virginia*, Section 22, sets forth the powers and responsibilities of the local school boards. School boards in Virginia have no taxing authority, but they are authorized to borrow money from the Commonwealth and to sell local school bonds through the City to the Virginia Public School Authority (VPSA).

In February 2002, the Virginia General Assembly passed Senate Bill 276, which was subsequently signed by the Governor of Virginia, that provides that localities have a tenancy in common with the school board whenever a locality incurs a financial obligation for school property which is payable over more than one fiscal year. As a result, the City records on its Statement of Net Position certain school property that is purchased with City long-term obligations. However, the Schools are still tasked with all care, management, and control over these properties.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2013 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1994A School bonds	6.60%	\$ 984,484	-	984,484	-
1996A School bonds	5.23%	2,380,000	2,380,000	-	.00% - 3.00%
1997A School bonds	5.60%	4,275,000	4,275,000	-	.00% - 3.00%
1998A School bonds	5.10%	2,460,000	2,460,000	-	.00% - 2.00%
1999A School bonds	5.975 - 6.10%	3,500,000	3,500,000	-	.00% - 2.00%
2000A School bonds	5.60%	4,260,000	4,260,000	-	.00% - 2.00%
2001A School bonds	5.10%	3,935,000	3,935,000	-	.00% - 2.00%
2001B School bonds	5.10%	838,848	-	838,848	-
2002A School bonds	5.10%	3,350,000	3,350,000	-	.00% - 1.00%
2003A School bonds	4.10 - 5.35%	1,520,000	1,520,000	-	.00% - 1.00%
2004A Public Improvement Refunding bonds	5.00%	15,700,000	9,515,000	6,185,000	.00% - 1.00%
2003 Lease Revenue bond with general obligation pledge	4.39%	3,850,000	3,850,000	-	.00% - 2.00%
2005A Public Improvement bonds	4.50 - 4.75%	1,955,000	-	1,955,000	-
2005A School bonds	4.10 - 5.10%	14,550,000	11,980,000	2,570,000	.00% - 1.00%
2005B School bonds	4.60 - 5.10%	7,175,000	5,910,000	1,265,000	.00% - 1.00%
2006A School bonds	4.48 - 5.10%	13,885,000	10,840,000	3,045,000	.00% - 1.00%
2006A Public Improvement bonds	4.25 - 4.50%	2,160,000	-	2,160,000	-
2006B School bonds	4.23 - 5.10%	13,940,000	10,820,000	3,120,000	.00% - 1.00%
2007A School bonds	4.10 - 5.10%	8,775,000	6,530,000	2,245,000	.00% - 1.00%
2007B School bonds	4.35 - 5.10%	7,935,000	5,925,000	2,010,000	.00% - 1.00%
2008A Public Improvement bonds	3.25 - 4.00%	8,110,000	5,650,000	2,460,000	-
2008A Public Improvement Refunding bonds	3.25 - 5.00%	11,170,000	-	11,170,000	.00% - 1.00%
2008B Tax Increment Financing bonds	4.00 - 4.63%	11,605,000	8,110,000	3,495,000	.00% - 1.00%
2009A School bonds	2.55 - 5.05%	30,930,000	21,130,000	9,800,000	.00% - 1.00%
2010A Tax Increment Financing, Recovery Zone Economic Development bonds	2.92 - 6.07%	2,250,000	1,445,000	805,000	-
2010A School bonds	3.05 - 5.05%	11,470,000	7,445,000	4,025,000	.00% - 1.00%
2010A-1 Public Improvement bonds	2.00 - 4.00%	6,085,000	-	6,085,000	-
2010A-2 Public Improvement bonds (Taxable Build America bonds)	3.41 - 5.36%	33,460,000	29,070,000	4,390,000	-
2010B-1 Tax Increment Financing bonds	2.00 - 2.50%	1,495,000	-	1,495,000	-
2010B-2 Tax Increment Financing bonds (Taxable Build America bonds)	3.41 - 5.34%	4,935,000	4,290,000	645,000	-
2010C-1 Tax Increment Financing bonds	2.00 - 4.00 %	1,330,000	-	1,330,000	-
2010C-2 Tax Increment Financing bonds (Taxable Build America bonds)	3.41 - 5.34%	4,505,000	3,915,000	590,000	-
2011A Public Improvement Refunding Bonds	3.00 - 5.00%	28,410,000	-	28,410,000	-
2011A School Bonds	3.05 - 4.05%	8,950,000	5,675,000	3,275,000	.00% - 1.00%
2011B School Bonds (QSCB)	2.00 - 4.00%	4,740,000	-	4,740,000	-
2012A Public Improvement Refunding Bonds	2.00 - 4.00%	8,135,000	1,960,000	6,175,000	-
2012C Taxable School Refunding Bonds	.679 - .950%	25,660,000	-	25,660,000	-
2012D Public Improvement Refunding Bonds	2.00 - 5.00%	9,910,000	3,375,000	6,535,000	-
2013A School Bonds	3.05 - 5.05%	18,315,000	11,235,000	7,080,000	.00% - 1.00%
2013B School Bonds	3.05 - 5.05%	8,375,000	-	8,375,000	-
		357,268,332	194,350,000	162,918,332	
Add unamortized bond premiums		16,982,093	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 374,250,425	194,350,000	162,918,332	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 1,596,819	-	1,596,819	-
Total Literary loans		\$ 1,596,819	-	1,596,819	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	\$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		\$ 1,342,284	-	1,342,284	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

Outstanding bonds for business-type activities at June 30, 2013 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2003C Water and Sewer Refunding bonds	3.00 - 3.50%	\$ 2,460,000	2,460,000	—	.00%
2004B Water and Sewer Refunding bonds	5.00%	24,230,000	19,130,000	5,100,000	.00% - 1.00%
2005B Water and Sewer Refunding bonds	3.50 - 4.00%	3,615,000	2,680,000	935,000	.00%
2010D Water and Sewer Refunding bonds	4.00 - 5.00%	20,625,000	20,625,000	—	.00%
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	25,435,000	12,915,000	12,520,000	.00%
2012B Water and Sewer Refunding bonds	2.00 - 5.00%	16,960,000	16,960,000	—	.00%
Total Public Utilities - general obligation bonds		93,325,000	74,770,000	18,555,000	
Public Utilities - Revenue bonds					
2010A Water and Sewer Revenue bonds	2.75 - 3.00%	2,375,000	-	2,375,000	-
2010B Water and Sewer Revenue bonds	3.82 - 6.28%	32,525,000	29,040,000	3,485,000	.00%
Total Public Utilities - revenue bonds		34,900,000	29,040,000	5,860,000	
Add unamortized bond premiums		9,114,311	n/a	n/a	n/a
Less unamortized bond discount		(10,624)	n/a	n/a	n/a
Total Public Utilities bonds		\$ 137,328,687			
Chesapeake Transportation System (CTS) - Revenue bonds:					
2012A - Toll Road Revenue Refunding bonds	3.00 - 5.00%	\$ 15,465,000	3,580,000	11,885,000	.00%
2012A Toll Road Revenue bonds	4.00 - 5.00%	92,425,000	92,425,000	—	.00%
2012B Toll Road Revenue bonds	4.75 - 4.88%	42,832,520	42,832,520	—	-
Total CTS Toll Road Revenue bonds		150,722,520	138,837,520	11,885,000	
Add unamortized bond premiums		7,642,670	n/a	n/a	n/a
Less unamortized bond discount		—	n/a	n/a	n/a
Total CTS - revenue bonds		\$ 158,365,190			

The following table summarizes the City's future debt service requirements for general obligation bonds, revenue bonds, literary loans and installment purchase agreement for governmental activities:

	Governmental Activities					
	Bonds		Literary Loans		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2014	\$ 44,275,538	14,357,671	324,034	47,905	-	64,430
2015	38,899,202	13,327,026	275,104	38,184	-	64,430
2016	26,919,908	11,943,133	199,537	29,930	-	64,430
2017	22,421,535	10,745,925	199,537	23,944	-	64,430
2018	22,928,246	9,746,651	199,537	17,958	-	64,430
2019-2023	92,318,903	36,248,232	399,070	17,958	-	322,148
2024-2028	77,685,000	16,723,774	-	-	-	322,148
2029-2033	30,495,000	2,960,838	-	-	1,342,284	257,719
2034-2038	1,325,000	23,519	-	-	-	-
	\$ 357,268,332	116,076,769	1,596,819	175,879	1,342,284	1,224,163

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

The following table summarizes the City's future debt service requirements for general obligation bonds and revenue bonds for business-type activities:

	Business-Type Activities			
	Public Utilities		Chesapeake Transportation	
	Bonds		System Bonds	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2014	\$ 5,870,000	6,124,535	-	5,187,150
2015	6,165,000	5,892,330	-	5,187,150
2016	6,355,000	5,661,305	-	5,187,150
2017	5,775,000	5,400,763	-	5,187,150
2018	6,055,000	5,152,674	-	5,187,150
2019-2023	32,820,000	21,197,487	11,885,000	25,060,925
2024-2028	29,730,000	13,245,172	14,645,000	36,855,781
2029-2033	21,535,000	7,388,366	12,891,109	43,165,304
2034-2038	8,160,000	3,121,313	17,282,865	40,319,492
2039-2043	5,760,000	552,904	27,658,546	29,324,334
2044-2048	-	-	66,360,000	9,888,000
	\$ 128,225,000	73,736,849	150,722,520	210,549,586

Additional detail on the City's long-term liabilities, specific debt issuances and other debt related items are as follows:

- (a) In May 2013, the City sold \$18,315,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 2.81% and a net premium of \$2,436,736. The bonds were issued to partially fund the addition and renovation of a high school.
- (b) In May 2013, the City sold \$8,375,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 1.49% and a net premium of \$1,560,637. The bonds were issued to fund major renewal and replacement projects for several schools.
- (c) On November 15, 2012, the City issued \$150,722,520 of Chesapeake Transportation System Senior Toll Road Revenue Bonds, Series 2012, with a true interest cost of 4.56% and a premium of \$7,823,641. The issuance consisted of \$107,890,000 of Series 2012A Current Interest bonds and \$42,832,520 of Series 2012B Convertible Capital Appreciation bonds. The bonds were issued in part to finance a portion of the cost of construction of the Dominion Boulevard project improvements. Additionally a portion of the 2012A bonds refunded the 1999 Chesapeake Expressway Toll Road Revenue bonds. The refunding proceeds were placed in an irrevocable trust and used solely to refund the 1999 bonds which are considered to be defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Position of the Chesapeake Transportation System Fund. On June 30, 2013, none of the defeased bonds remain outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$174,386. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the remaining life of the refunded debt. This current refunding resulted in an economic gain of \$3,623,846 and a net savings in future debt service payments of \$10,021,679. These bonds were not refunded for savings but rather for the purpose of being incorporated into the Chesapeake Transportation System Plan of Finance and Indenture of Trust.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

The amount refunded and the call dates are as follows:

	<u>Maturity Date</u>	<u>Principal Amount Refunded</u>	<u>Call Date</u>
Chesapeake Expressway Toll Road Revenue Bonds, Series 1999A	2019-2032	\$ 18,960,000	11/16/2012

On November 1, 2012, a Bond Purchase and Loan Agreement was executed between the Virginia Transportation Infrastructure Bank (VTIB), acting through its Manager, Virginia Resources Authority, and the City of Chesapeake. VTIB has agreed to loan the City of Chesapeake an amount not to exceed \$151,893,495 for the purpose of partially financing the Dominion Boulevard Transportation Project as evidenced by the purchase of the Chesapeake Transportation System Subordinate Toll Road Revenue Bond, Series 2012C. The VTIB Bond is subordinate to the 2012A and 2012B Senior Bonds and repayment will begin on the July 15 that occurs on or after the second anniversary of the substantial completion date of the Dominion Boulevard Project. Payment of the VTIB loan will come solely from revenues generated by the Project.

Concurrently an amended and restated "City-State Agreement" between the City of Chesapeake and the Commonwealth of Virginia, Department of Transportation (VDOT) was executed. This amendment replaces the previous agreement dated April 1, 1999. No repayments with respect to the 1999 Toll Facilities Revolving Account (TFRA) Payments and the Urban Allocation Payments shall be made until the VTIB Loan has been paid in full. The outstanding principal Due to the Commonwealth as of June 30, 2013 was \$63,483,912, which is comprised of \$25,425,566 to TRFA and \$38,058,346 to Urban Allocation. TFRA principal payments of \$102,588 were made to VDOT in fiscal year 2013. No payment schedule has been established.

- (d) In April 2012, the City issued \$9,910,000 of general obligation public improvement refunding bonds with a true interest cost of 2.34% to advance refund an outstanding issue. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2013, \$9,540,000 of the defeased bonds remains outstanding.
- (e) In April 2012, the City issued \$8,135,000 of general obligation public improvement refunding bonds with a true interest cost of 2.30% to advance refund an outstanding issue. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2013, \$7,620,000 of the defeased bonds remains outstanding.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

- (f) On August 17, 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City's receipt of these taxes. The agreement provides for principal payments to be made January and July of each calendar year with the exception of the first payment. These payments are expected to take place over a five year period but that this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2013, \$3,372,767 was outstanding.
- (g) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.
- (h) In December 2003, the CSB of Chesapeake, Inc., a blended component unit reported as a special revenue fund of the City, issued a \$4,940,000 lease revenue bond with a fixed interest rate of 4.39%. The City has pledged its full faith and credit for this obligation, which was incurred to construct the Community Services Board building. The holding bank may require prepayment of this bond on January 1, 2014, with at least 90 days written notice to the City. Therefore, although the bond has a maturity of July 1, 2030, the remaining principal is reflected as being due in 2014. At June 30, 2013, \$3,850,000 was outstanding.
- (i) In July 1997, the Commonwealth Transportation Board issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. The net proceeds were used to finance the City's Oak Grove Connector project. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the Commonwealth Transportation Board to make annual payments equal to the debt service payments on these bonds based on the original terms of the bonds including principal amount of \$33,075,000, interest rates ranging from 5.00% to 5.25%, and a maturity date of 2022. In May 2006 the Commonwealth Transportation Board refunded the bonds maturing in the years 2008 – 2022 in the amount of \$23,830,000. The Supplemental Payments Agreement has been adjusted accordingly to reflect a total debt service savings of \$1,615,054 including principal savings in the amount of \$670,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City's portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City's share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City's full faith and credit. The City made a \$1,365,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

The City's debt service requirements for the SPA as of June 30, 2013 are summarized as follows:

Fiscal year ending June 30:	Principal	Interest
2014	\$ 1,435,000	791,250
2015	1,505,000	719,500
2016	1,585,000	644,250
2017	1,665,000	565,000
2018	1,745,000	481,750
2019-2022	7,890,000	1,010,000
Total payments	\$ 15,825,000	4,211,750

- (j) In June 1994, the City financed a 320-bed addition to the City jail through a financing agreement with the EDA. Under the arrangement, the EDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds.

The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2013, the amount owed by the City under this capital lease obligation was \$1,740,000.

In addition, the Commonwealth of Virginia has agreed to reimburse the City for a portion of the capital costs and financing costs of the City jail project. This agreement was signed in June 1994. At that time, total reimbursement to the City was projected to be \$16,078,836, to be reimbursed on an installment basis for 20 years, and subject to General Assembly approval. In April 2004, March 2005 and August 2008, portions of the debt related to the City jail project were refunded. The Commonwealth has the right under the agreement to modify the reimbursement installments in the event of a refunding, but an adjusted schedule has not yet been received from the Commonwealth. Total reimbursements of \$15,888,597 have been received by the City as of June 30, 2013. The current year reimbursement was \$836,520.

- (k) Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2013 was the settlement date, and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Transportation System Fund, or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment. The fund balance in the Debt Service Fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the Statement of Net Position.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

(l) The future payments by year of accumulated vacation, sick pay, and accrued overtime leave, arbitrage, net pension obligation, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension obligation and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay and accrued overtime leave liability is generally liquidated by the fund for which the employee works. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension obligation and net OPEB obligation are generally liquidated by the General Fund, and the liability for Self-Insurance losses is liquidated by the Self-Insurance Fund.

(m) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 8% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 30, 2012 was \$43,155,000. Any bonds or notes in excess of this amount must either be intended to refund other debt or be supported by a referendum, except as noted in Chapter 6, Section .05 of the City Code. Contractual obligations, other than bonds and notes, are excluded from the City's annual borrowing limit. The total charter bonds authorized but unissued are \$301,100,097 as of June 30, 2013.

(n) Computation of Legal Debt Margin (per Constitution of Virginia)

Assessed valuation - real estate	\$	23,197,467,449
Legal debt limit - 10% of assessed valuation	\$	2,319,746,745
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	639,154,955
Less:		
Self-supporting debt not chargeable to debt limit		230,477,520
Amounts available for debt service		32,819,887
		375,857,548
Legal debt margin available	\$	1,943,889,197
Percent of:		
Legal debt margin outstanding		16.2%
Legal debt margin available		83.8%
		100.0%
Summary of assessed valuation:		
Public service real estate	\$	1,032,858,215
Other city real estate		22,164,609,234
	\$	23,197,467,449

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(6) Continued

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of overall net debt per capita and a threshold of 3.5% of overall net debt to assessed value of taxable real property. General bonded debt above represents principal outstanding, excluding premiums and discounts. For fiscal year 2013 management believes the City is in compliance with these policies.

- (o) Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures. Certain of the City's outstanding bonds are insured by bond insurance policies issued by Financial Guaranty Insurance Corporation ("FGIC") or MBIA Insurance Corporation ("MBIA"). In 2008 and 2009, the long-term ratings of both FGIC and MBIA were downgraded numerous times without notice being given to the City. The City made event notice filings with regard to the downgrades of which it was aware. At the point at which the City's long-term rating on the respective bonds was higher than that of the relevant bond insurer no additional event notices were considered necessary.

- (p) Certain discretely presented component units have significant outstanding long-term debt as follows:

On June 1, 1994, the EDA issued \$30,205,000 of Lease Revenue Bonds to finance construction of the City of Chesapeake Jail Project. The bonds are being repaid through City lease payments on the facility. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue refunding bonds, to refund the remaining outstanding 1994 Public Facility Lease Revenue Bonds of \$18,050,000. At June 30, 2013, \$1,740,000 remains outstanding, of which none are callable.

In October 1998, the City entered into a support agreement with the Chesapeake Airport Authority, to provide a non-binding obligation of the City to consider certain appropriations to the Airport Authority in conjunction with the Airport Authority's issuance of \$2,500,000 Airport Revenue Bonds. The bonds, issued in January 1999, funded the acquisition, construction, and equipping of airplane hangers and related facilities at the Chesapeake Municipal Airport. The City's support extends only to the debt service reserve account for these bonds, as required under the master indenture, to appropriate sufficient funds if a deficit exists in the debt service reserve account.

In November 2011, the Airport Authority sold its \$1,220,000 revenue refunding bonds to the Virginia Resources Authority as administrator of the Virginia Airports Revolving Fund. The purpose of the 2011 bonds was to refund the outstanding 1999 bonds to achieve debt service savings as well as restructuring the debt repayment by extending full maturity by five years. As part of this transaction, the City Council approved a new support agreement for the 2011 bonds which pledges the City's moral obligation with respect to the debt service reserve in substitution for the 1999 Agreement. At June 30, 2013, \$1,165,000 remains outstanding, of which all are callable.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(7) Advances and On Behalf Of Payments

The City has made the following advances and on behalf of payments:

Component Unit – Chesapeake Airport Authority

In September 2008, the City Council authorized the restructuring of two previous advances made to the Airport Authority with different repayment terms. The restructuring allowed both note terms to run simultaneously, with a 15-year repayment. The remaining balances of the two notes were cancelled and a new note for \$439,100 was executed. Semi-annual payments of \$13,500 began in fiscal year 2009 with a final balloon payment of \$47,600 on June 15, 2023. A nonspendable classification of fund balance has been made in the General Fund for \$127,722 and in the Debt Service Fund for \$176,378 for the balance outstanding at June 30, 2013 of \$304,100.

The General Fund also budgeted and made payments of \$266,727 on behalf of the Airport Authority during fiscal year 2013. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

Component Unit – Chesapeake Port Authority

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$10,987 on behalf of the Port Authority during fiscal year 2013. The City is not anticipating the collection of these payments from the Port Authority.

Component Unit – Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2013, \$1,319,095 is outstanding in the General Fund. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the City budgeted and made payments of \$556,844 on behalf of the Authority during fiscal year 2013. The City is not anticipating the collection of these payments from the EDA. In connection with the addition of a new Cinemark 12 screen, state of the art, stadium seating theater in the Western Branch section of the City, the EDA committed to acquire the old theater in the event it did not sell within a reasonable time of the opening of the new theater. The City appropriated acquired the property in August 2013. As of June 30, 2013 the property remains available for resale.

Advances from the primary government to its component units as reported on the Statement of Net Position as of June 30, 2013 is summarized as follows:

Advances to Airport Authority	\$	304,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,567,602
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units	\$	304,100

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(8) Interfund Balances and Transfers

Interfund balances and transfers between governmental funds and interfund balances and transfers between enterprise funds are not included in the government-wide Statement of Net Position or the government-wide Statement of Activities.

Individual fund interfund receivable and payable balances for the primary government at June 30, 2013 are as follows:

Due To Other Funds	Due From Other Funds		
	Enterprise Funds	Nonmajor Governmental Funds	Total
Capital Project Fund	\$ 27,827,253	-	27,827,253
General Fund	-	243,520	243,520

The interfund balances due to the General Fund from governmental funds of \$243,520 are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund. The interfund balance due to the Capital Projects Fund of \$27,827,253 due from enterprise funds is a result of reclassification of activities related to Dominion Boulevard improvements. The total interfund balance of \$28,070,773 is due within one year.

In addition, the City purchased the Chesapeake Conference Center and one acre of land for a parking facility on July 1, 1998 with accumulated reserves in the Debt Service Fund, which were not already dedicated to the repayment of the debt. City Council authorized the purchase and the repayment of \$9,142,398 of funds advanced. The funds are accruing interest and began being repaid to the Debt Service Fund from the Conference Center Special Revenue Fund surpluses beginning in fiscal year 2001, subject to annual appropriation by City Council. The amount repaid in the current year was \$1,000,000.

A contribution in the amount of \$7,800,000 was made by the City to the Chesapeake Expressway Toll Road Project by acquiring and constructing the Hanbury Road Interchange. The Hanbury Road Interchange project was recorded in the Capital Projects Fund. According to the previous indenture and City/State agreement, the Expressway was to repay the City's contribution semi-annually. Since the funding contributed by the City was for the Hanbury Road Interchange, which resided in the Capital Projects Fund, the transfer from the Expressway was made directly to this fund instead of to the General Fund.

According to Section 4.2 (b) of the new 2012 Indenture, there shall be no repayment of the City contribution until the Virginia Transportation Infrastructure Bank (VTIB) loan has been repaid in full. The City Contribution accrues interest at a rate of 3% per year, compounded semi-annually on each interest payment date. As of June 30, 2013, the amount currently outstanding on this loan is \$5,504,216 which includes principal of \$5,422,873 and accrued interest of \$81,343.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(8) Continued

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2013, City Council approved transfers totaling \$15,227,701 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included \$7,250,000 for Public Safety Headquarters EOC/EDC Phase 1, \$3,298,822 for Project 25 Radio System, \$1,000,000 for Real Estate Assessor Computer Assisted Mass Appraisal and \$800,000 for High Priority Renewal and Replacements.

Interfund transfers for the year ended June 30, 2013 are as follows:

Transfers To Other Funds	Transfers From Other Funds					Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Stormwater Management Fund	
General Fund	\$ -	80	1,617,428	22,713		1,640,221
Debt Service Fund	45,941,473	462,357	3,117,605	-		49,521,435
Capital Projects Fund	15,227,700	-	14,307,984	-		29,535,684
Nonmajor governmental funds	15,923,712	17,000	449,952	30,850	34,532	16,456,046
Chesapeake Transportation System	-	162,024	-	-		162,024
Internal Service Funds	2,546,557	-	-	-		2,546,557
Total	\$ 79,639,442	641,461	19,492,969	53,563	34,532	99,861,967

(9) Leases

The City and the Schools, a component unit, lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2013, the City's capital assets from governmental activities include \$30,205,000 of buildings leased from component units, \$4,490,443 of leased construction in progress and leased equipment of \$809,075. Current year amortization expense for leased assets is \$762,551 and is included in depreciation expense. Accumulated amortization expense for these assets is \$10,357,642.

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for governmental activities (including capital leases to component units) as of June 30, 2013 are as follows:

	Capital	Operating
Fiscal years:		
2014	\$ 2,857,089	1,015,290
2015	778,566	351,409
2016	-	282,006
2017	-	132,629
2018	-	2,975
Total future minimum lease payments	3,635,655	\$ 1,784,309
Less amounts representing interest	178,022	
Present value of minimum capital lease payments	\$ 3,457,633	

Total governmental operating lease payments for the year ended June 30, 2013 were \$1,236,642.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(9) Continued

At June 30, 2013, the Schools capital assets include \$16,832,834 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,455,732. Accumulated amortization expense for these assets is \$8,171,935. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2013 are as follows:

	Capital
Fiscal years:	
2014	\$ 1,818,530
2015	1,818,530
2016	1,818,530
2017	1,342,437
2018	1,144,071
2019-2022	1,567,300
Total future minimum lease payments	9,509,398
Less amounts representing interest	1,031,304
Present value of minimum capital lease payments	\$ 8,478,094

(10) Retirement Plans***Plan Description***

The City and Schools contribute to the Virginia Retirement System (the VRS), an agent and cost-sharing, multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(10) Continued

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected to enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option.

A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost of living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%.

Under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employee, employers were required to begin making the employee pay the 5.00% member contribution. The could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and School is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(10) Continued

and approved by the VRS Board of Trustees. The City and School (non-professional employees) contribution rate for the fiscal year ending June 30, 2013 was 15.50% and 13.40% respectively, of the annual covered payroll.

The Schools' employees' contribution rate for professional employees for the fiscal year ended June 30, 2013 was 13.66% of annual covered payroll. The following table relates to the Schools' contribution rate for professional employees:

	Annual Required Contributions	Actual Amount Contributed in Dollars
2013	\$ 28,707,084	28,707,084
2012	23,589,821	23,589,821
2011	18,835,577	18,835,577

Annual Pension Cost

For the year ended June 30, 2013, the City's and the Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 28,035,416	2,757,882
Interest on net pension obligation	111,682	6,900
Adjustment to annual required contribution	(87,530)	(5,510)
Annual pension cost	28,059,568	2,759,272
Less contributions made	28,035,416	2,757,882
Increase (decrease) in net pension obligation	24,152	1,390
Net pension obligation at June 30, 2012	1,595,453	98,572
Net pension obligation at June 30, 2013	\$ 1,619,605	99,962

The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of the assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payrolls on an open basis.

The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(10) Continued

Three-Year Trend Information						
Fiscal Year Ended	City			Schools' Nonprofessional Employees		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 28,059,568	100.0%	\$ 1,619,605	\$ 2,759,272	100.0%	\$ 99,962
June 30, 2012	24,081,251	100.0%	1,595,453	2,949,881	100.0%	98,572
June 30, 2011	23,544,000	100.0%	1,591,989	2,958,157	100.0%	97,102

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

	City	Schools
Actuarial accrued liability (AAL)	\$ 732,129,917	88,437,402
Less actuarial value of plan assets	545,391,980	62,016,430
Unfunded actuarial accrued liability (UAAL)	\$ 186,737,937	26,420,972
Funded ratio (actuarial value of plan assets/AAL)	74.49%	70.12%
Covered payroll	\$ 137,807,097	20,446,608
UAAL as a percentage of covered payroll	135.51%	129.22%

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

See Note 17 – Subsequent Events – Recent Developments Affecting the Pension Plan.

(11) Other Postemployment Benefits

Plan Description

The City's Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide access to medical and dental insurance benefits to eligible retirees and their dependents. The Post-Medicare Medical Plan is closed to employees hired July 1, 2007 or after. Plan membership as of June 30, 2013, consisted of 2,751 active service participants and 501 retirees and beneficiaries currently receiving benefits.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(11) Continued

There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type component unit of the City. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value using a variety of methods, including quoted market prices, net asset value, or third party assessment.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2013, the City contributed \$12,029,095 to the plan, including \$2,884,095 for current premiums (60% of total premiums) and an additional \$8,225,000 to prefund benefits. Plan members receiving benefits contributed \$1,902,249, or 40% of the total premiums, through their required monthly contributions. Member contributions are 1.27% of covered payroll. Costs to administer current benefits are paid from the general fund.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 over a period not to exceed 30 years.

For the year ended June 30, 2013, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	11,752,000
Interest on net OPEB obligation		2,589,000
Adjustment to annual required contribution		(2,746,000)
Annual OPEB cost		11,595,000
Less employer contributions made		12,029,095
Increase (decrease) in net OPEB obligation		(434,095)
Net OPEB obligation at July 1, 2012		34,526,574
Net OPEB obligation at June 30, 2013	\$	34,092,479

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(11) Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Employer Contributions	Annual OPEB Cost Contributed	OPEB Obligation
June 30, 2013	\$ 11,595,000	\$ 12,029,095	103.7%	\$ 34,092,479
June 30, 2012	12,301,000	10,441,279	84.9%	34,526,574
June 30, 2011	12,897,959	9,249,892	71.7%	32,666,853

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date for fiscal year ending June 30, 2013, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 126,666,000
Less actuarial value of plan assets	40,266,226
Unfunded actuarial accrued liability (UAAL)	\$ 86,399,774
Funded ratio (actuarial value of plan assets/AAL)	31.79%
Covered payroll	\$ 149,594,019
UAAL as a percentage of covered payroll	57.76%

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, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method 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 of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the actuarial valuation for fiscal year ending June 30, 2013 (dated September 12, 2013), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (discount rate) including an inflation component of 2.5% and an annual healthcare cost trend rate of 8.0% - 9.0% initially, reduced by 0.1% - 0.5% each year to an ultimate rate of 5.8% after fourteen years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(11) Continued

Discretely presented component unit - Public Schools:***Plan Description***

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2012, consisted of 5,389 active service participants and 1,435 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund ("the Trust"). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type component unit of the Schools. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

Funding Policy

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2013, the Schools contributed \$7,222,623 to the plan to pay for current premiums (69% of total premiums). Plan members receiving benefits contributed \$3,309,521, or 31% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' general fund.

Annual OPEB Cost and Net OPEB Obligation

The Schools' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 over a period not to exceed 30 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(11) Continued

For the year ended June 30, 2013, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	37,604,581
Interest on net OPEB obligation		10,062,406
Adjustment to annual required contribution		(13,988,231)
Annual OPEB cost		33,678,756
Less employer contributions made		7,222,623
Increase in net OPEB obligation		26,456,133
Net OPEB obligation at July 1, 2012		251,560,144
Net OPEB obligation at June 30, 2013	\$	278,016,277

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 33,678,756	\$ 7,222,623	21.4%	\$ 278,016,277
June 30, 2012	53,753,073	6,624,530	12.3%	251,560,144
June 30, 2011	57,145,295	8,048,372	14.1%	204,431,601

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2012, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	362,045,590
Less actuarial value of plan assets		8,547,297
Unfunded actuarial accrued liability (UAAL)	\$	353,498,293
Funded ratio (actuarial value of plan assets/AAL)		2.4%
Covered payroll	\$	231,925,031
UAAL as a percentage of covered payroll		152.42%

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, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the Schools' annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(11) Continued

Actuarial Method 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 of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 8.0 % initially, reduced by 0.5% each year to an ultimate rate of 5.0% after seven years and thereafter. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2013

(12) Fund Balances

Primary Government

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 999,640	-	-	14,214	1,013,854
Prepaid expenditures and other assets	45,882	-	-	-	45,882
Advances to component units and other	127,722	176,378	-	-	304,100
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	1,173,244	176,378	-	27,009	1,376,631
Restricted:					
Cash flow emergencies	30,923,382	-	-	-	30,923,382
Tax increment financing - Greenbrier	-	-	-	13,770,600	13,770,600
Tax increment financing - South Norfolk	-	-	-	7,338,866	7,338,866
Poindexter St. construction	-	-	13	-	13
City Jail construction	-	-	2,026,254	-	2,026,254
Oak Grove connector	833,686	-	-	-	833,686
Public Safety	-	-	-	4,140,199	4,140,199
Public Welfare	-	-	-	1,839,859	1,839,859
Education	-	-	-	4,996,494	4,996,494
Arbitrage rebate and yield restriction	-	245,509	-	-	245,509
Total restricted	31,757,068	245,509	2,026,267	32,086,018	66,114,862
Committed:					
Operating emergencies	25,769,311	-	-	-	25,769,311
Emergency event response & recovery	20,000,000	-	-	-	20,000,000
City future capital projects	783,704	-	-	-	783,704
Economic development investment program	961,372	-	-	-	961,372
Solid waste and disposal	2,838,341	-	-	-	2,838,341
General Government	10,501,519	-	12,289,369	3,392,194	26,183,082
Public Safety	388,662	-	-	285,381	674,043
Public Works	4,961	-	5,039,642	-	5,044,603
Parks	-	-	2,905,577	51,125	2,956,702
Public Welfare	-	-	-	3,218,437	3,218,437
Schools future capital projects	3,321,136	-	-	-	3,321,136
Education	1,000,000	-	-	-	1,000,000
Total committed	65,569,006	-	20,234,588	6,947,137	92,750,731
Assigned:					
General capital improvement	-	-	70,649,911	-	70,649,911
Debt service payments	-	32,819,887	-	-	32,819,887
General Government	444,103	-	-	3,298,466	3,742,569
Public Works	866,044	-	1,921,121	-	2,787,165
Public Safety	389,282	-	-	2,281,306	2,670,588
Public Welfare	-	-	-	4,964,742	4,964,742
Parks	-	-	13,150	846,175	859,325
Education	2,665,113	-	-	-	2,665,113
Total assigned	4,364,542	32,819,887	72,584,182	11,390,689	121,159,300
Unassigned:	40,797,644	-	-	(146,211)	40,651,433
Total fund balance	\$ 143,661,504	33,241,774	94,845,037	50,304,642	322,052,957

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(13) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code* Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2013.

(14) Commitments***Capital Improvements Program***

The City Council adopted a five-year capital improvements program on May 14, 2013, the total estimated cost of which amounted to \$247,312,840 to be funded from anticipated state and federal funds, debt financing, local fees, and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date.

A summary of the sources of funds per the adopted capital budget follows:

Funds previously appropriated	\$	59,775,588
Public utilities - borrowing authority revenue supported		47,653,323
Stormwater management fees		29,250,000
Borrowing authority - unissued		28,800,000
Borrowing authority - Greenbrier TIF		16,000,000
General fund - committed for schools		13,000,000
Public utilities - fund balance		12,527,870
Borrowing authority - SoNo TIF		12,300,000
General fund - operating transfer		8,854,251
Redirects from other projects		6,684,698
General fund - committed for city capital projects		5,036,724
SoNo TIF fund cash		4,249,300
Chesapeake transportation system - renewal & replacement		3,000,000
Proffers		181,086
Total five year capital budget	\$	247,312,840

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year-end. Outstanding encumbrances as of June 30, 2013 for the City and the Schools are as follows:

City		Schools	
<u>Governmental Funds</u>		<u>Governmental Funds</u>	
General Fund	\$ 5,137,003	General Fund	\$ 1,573,837
Capital Projects	12,289,369	Capital Projects	5,187,252
Other Governmental Funds	1,795,754		
Total	\$ 19,222,126	Total	\$ 6,761,089

(Continued)

Notes to Basic Financial Statements
June 30, 2013

(15) Contingent Liabilities***Self-Insurance***

The City is exposed to various risks of loss related to civil torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural perils. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for the following types of liability claims retaining risk up to certain limits and obtaining excess commercial insurance policy coverage to additional limits.

	Self-insurance Risk	Commercial Insurance
	Retention	Aggregate Coverage
		Limit
General and automobile liability claims	\$ 2,000,000	10,000,000
Public official, law enforcement officer and other liability	100,000	2,000,000
Workers' compensation claims	1,250,000	25,000,000

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 2/3 salary for 500 weeks and lifetime medical care. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. The insurance coverage is substantially the same as in the prior fiscal year, with the exception of the increase in general and automobile liability commercial insurance aggregate coverage limit as noted above.

All funds of the City participate in the self-insurance program and make payments to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. The City uses an actuary to aid in the determination of self-insurance liabilities. The actuary also provides guidance regarding the appropriate fund balance reserves to be maintained. Interfund premiums are recorded as operating revenues in the Self-Insurance Fund and as expenditures or expenses in the funds charged.

The claims liability of \$27,033,415 reported in the Self-Insurance Fund at June 30, 2013 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2013 and 2012 were as follows:

Fiscal Year Ended	Beginning	Claims and	Claims	Ending
	Balance	Changes in	Payments	Balance
		Estimates		
6/30/2013	\$ 25,681,364	8,538,981	7,186,930	27,033,415
6/30/2012	28,621,722	6,471,505	9,411,863	25,681,364

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(15) Continued

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a \$750,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation, medical and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. Amounts due in future years on claims as of June 30, 2013 are recognized as a long-term liability in the statement of net position. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2013 is \$10,781,689.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2013 and 2012 were as follows:

Fiscal Year Ended		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2013	\$	11,545,166	60,507,911	61,271,388	10,781,689
6/30/2012		11,270,237	62,642,905	62,367,976	11,545,166

Southeastern Public Service Authority

Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. On April 29, 2010, the City executed a new guaranty agreement with SPSA, along with all of its other member communities. Under the new agreement, the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the Counties of Isle of Wight and Southampton agree to guarantee the remainder of SPSA's debt not to exceed \$50,000,000 in the aggregate. The City's applicable percentage is 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA. The change in the City's guaranty agreement resulted in part from the sale of SPSA's Waste-to-Energy facilities to Wheelabrator Technologies, Inc. on April 29, 2010, allowing the principal amount of SPSA's outstanding indebtedness to be reduced to \$75 million from \$218 million. At June 30, 2012, SPSA's outstanding indebtedness totaled \$32.7 million.

Litigation

The City has been put on notice of several potential claims by surrounding residents of the Battlefield Golf Club, a golf course constructed by a private entity using fly ash from Dominion Power's energy facility in Chesapeake. Fly ash is associated with contaminants such as arsenic, lead and mercury. An engineering firm hired by the City found elevated levels of lead and other contaminants at the site. A full environmental assessment is slated to be completed by the City very soon. The United States Environmental Protection Agency is also conducting water quality tests on, and in the vicinity of, the golf course. Residents living near the golf course filed suit against Dominion Power, the contractor that delivered the fly ash to the site, its subcontractors and the owner of the golf course.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(15) Continued

There were approximately 400 potential claims filed against Dominion Power, which could total millions in damages. However, the likelihood of recovery by the residents against the City is very low. The City's approval of the golf course through the issuance of a conditional use permit was based on information provided by Dominion Power. It is also to be noted that the Virginia Department of Environmental Quality approved use of fly ash at this location. The City should have immunity against such claims and is not named as a defendant in this case. The appropriate defendant in this matter is Dominion Power.

Clear Sky Car Wash, LLC et al. vs City of Chesapeake, et al.

This action was filed in the United States District Court for the Eastern District of Virginia in April of 2012. The plaintiffs include the owner and operating company of a car wash business located on Great Bridge Boulevard. The property was acquired by the City by eminent domain for the sum of \$2,150,000.00. The property is integral to the Dominion Boulevard Improvement Project that is currently underway. In addition to the City, the defendants include the Virginia Department of Transportation, the Federal Highway Administration, and one employee of the City. The lawsuit alleges improprieties in the acquisition process, breach of contract and violation of due process, equal protection and other federal laws. Plaintiffs seek damages of no less than \$9 Million. A motion to dismiss has been filed, fully briefed and argued on behalf of the City and the employee. The Court is expected to issue a ruling on the motions to dismiss at any time. The City is unable to predict the outcome of this matter.

Pollution Remediation

The City entered into a "Consent Agreement and Final Order" (CAFO) and an "Administrative Order for Compliance on Consent" (AOCC) with the Environmental Protection Agency (EPA) on April 2, 2012. The CAFO and AOCC resulted from an EPA audit of the City's Municipal Separate Storm Sewer System (MS4) VPDES permit program which was conducted in June 2010 and were the final settlements of an "Administrative Penalty Complaint" and a "Findings of Violation Order for Compliance" received by EPA in June 2011. Several actions including a payment of \$10,000 to EPA, implementation of a \$20,000 Supplemental Environmental Project (SEP) and the AOCC, implementation of the revised Public Works Regulation 758 are required by the CAFO and AOCC. The SEP is substantially complete as of November 25, 2013 and the other required actions have been satisfied.

Federal Award Programs

The City and the Schools participate in a number of federal award programs. Although they have been audited in accordance with the provisions of OMB Circular A-133, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will not be significant.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(16) Fund Results and Reconciliations**Restatements**

As a result of the implementation of GASB Statement No. 65, the beginning net position of the governmental activities, business-type activities and enterprise funds: Public Utilities Fund and Chesapeake Transportation System (formerly known as Chesapeake Expressway) are restated to expense bond issuance costs which were previously capitalized and amortized over the life of the debt.

In addition to the GASB 65 impacts, the City has also restated the Chesapeake Transportation System Fund and the Capital Project Fund beginning net position to reflect projects moved to the Chesapeake Transportation System Fund.

The effect on fiscal year 2012 is as follows:

Primary Government Governmental Activities	2012 Previously Presented	GASB 65 Restatement	Restatement*	2012 Restated
Total Assets	\$ 1,535,768,220	(1,338,691)	(45,017,485)	1,489,412,044
Net Position	1,020,266,989	(1,338,691)	(45,017,485)	973,910,813
Revenues	596,894,691	-	(45,017,485)	551,877,206
Expenses	587,109,685	1,338,691	-	588,448,376
Change in Net Position	9,785,006	(1,338,691)	(45,017,485)	(36,571,170)

Primary Government Business Activities	2012 Previously Presented	GASB 65 Restatement	Restatement*	2012 Restated
Total Assets	\$ 654,307,179	(1,258,569)	45,017,483	698,066,093
Net Position	413,218,715	(1,258,569)	45,017,483	456,977,629
Revenues	93,164,320	-	45,017,483	138,181,803
Expenses	74,953,925	1,258,569	-	76,212,494
Change in Net Position	18,210,395	(1,258,569)	45,017,483	61,969,309

Enterprise Funds: Public Utilities Funds	2012 Previously Presented	GASB 65 Restatement	Restatement*	2012 Restated
Noncurrent Assets	\$ 469,262,913	(1,135,968)	-	468,126,945
Net Position	381,058,074	(1,135,968)	-	379,922,106
Nonoperating Revenues (Expenses)	652,822	(1,135,968)	-	(483,146)
Change in Net Position	12,071,596	(1,135,968)	-	10,935,628

Enterprise Funds: Chesapeake Transportation System	2012 Previously Presented	GASB 65 Restatement	Restatement*	2012 Restated
Total Assets	\$ 64,991,548	(122,601)	45,017,483	109,886,430
Net Position	(18,943,825)	(122,601)	45,017,483	25,951,057
Nonoperating Revenues (Expenses)	-	(122,601)	45,017,483	44,894,882
Change in Net Position	(883,511)	(122,601)	45,017,483	44,011,371

* related to projects moved from the Capital Projects Fund to Chesapeake Transportation System Fund.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(16) Continued

Fund Deficits

The Self-Insurance Fund, an Internal Service Fund, had a net position deficit of \$3,204,442 at June 30, 2013. This deficit will be funded by future internal billings to other funds of the City.

The Chesapeake Port Authority, a component unit, had a net position deficit of \$936,028 at June 30, 2013. This deficit consists of an advance of \$944,407 to the Port Authority from the City's General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

The Chesapeake Public Schools, a component unit, had a net position deficit of \$39,249,211 at June 30, 2013. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation, which rose by \$26.5 million in fiscal year 2013. A plan by Schools to reduce the deficit is ongoing.

(17) Subsequent Events

Developments Affecting the Pension Plan

Legislation has been enacted which requires the Virginia Retirement System to create a hybrid retirement plan composed of a defined benefit component and a defined compensation component for employees hired after January 1, 2014, except for hazardous duty employees covered under a separate law enforcement officer retirement system (LEORS) or other similar programs for state employees. This retirement benefit will be based on a 1.00% multiplier compared to the 1.70% or 1.65% multiplier in place for existing plans.

CSB of Chesapeake Inc. Lease Revenue Bond

On September 30, 2013 SunTrust Bank confirmed the decision not to exercise its option to require prepayment on the Lease Revenue Bond. SunTrust had the option to require prepayment on January 1, 2014. The financial statements reflect the entire amount as current assuming the balance of \$3,850,000 would be prepaid on January 1, 2014. Principal totaling \$155,000 is due in fiscal year 2014 subsequent to SunTrust's decision.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2013

(18) New Pronouncements

The GASB has issued pronouncements prior to June 30, 2013 which have an effective date that may impact future presentations.

GASB Statements No. 67 and No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 2*, were issued in June 2012. GASB Statements No. 67 and No. 68 will be effective for the City beginning with years ended June 30, 2014 and June 30, 2015 respectively.

GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*, were issued in January 2013. GASB 69 will be effective for the City beginning June 30, 2014.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, were issued April 2013. GASB 70 will be effective for the City beginning June 30, 2014.

Management has not currently determined what impact the implementation of the above statements may have on the financial statements of the City.

(Continued)

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Required Supplementary Information



CITY OF CHESAPEAKE, VIRGINIA

Schedule L-1

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund - unaudited
Year Ended June 30, 2013

	General Fund			Variance
	Original Budget	Revised Budget	Actual	Positive (Negative)
REVENUES				
General property taxes	\$ 279,880,844	279,880,844	282,150,366	2,269,522
Other local taxes	107,706,975	107,706,975	111,617,912	3,910,937
Licenses, permits, and fees	7,710,658	7,710,658	8,091,767	381,109
Intergovernmental revenues:				
Commonwealth of Virginia	81,625,479	82,324,602	83,319,086	994,484
Federal government	92,663	92,663	1,538,846	1,446,183
Recovered costs	200	200	394,653	394,453
Investment income	269,000	269,000	(101,924)	(370,924)
Revenues from use of property	333,175	469,675	454,156	(15,519)
Charges for services	8,359,715	8,467,615	9,999,437	1,531,822
Fines and forfeitures	2,302,130	2,302,130	3,000,462	698,332
Miscellaneous local revenues	73,960	101,460	328,224	226,764
Total revenues	488,354,799	489,325,822	500,792,985	11,467,163
EXPENDITURES				
Current:				
General government	109,766,371	107,697,710	101,860,157	5,837,553
Public safety	82,623,011	81,677,260	80,595,163	1,082,097
Public works	60,038,291	60,209,210	54,416,674	5,792,536
Parks and recreation	6,375,585	6,490,494	5,948,126	542,368
Debt Service	2,227,000	2,657,000	2,540,494	116,506
Total expenditures	261,030,258	258,731,674	245,360,614	13,371,060
Excess of revenues over expenditures	227,324,541	230,594,148	255,432,371	24,838,223
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	1,349,137	1,549,937	1,640,221	90,284
Transfer from component units	-	-	79,024	79,024
Transfer from component unit - cash reversion	-	-	2,665,112	2,665,112
Transfers to other funds	(68,594,189)	(80,465,411)	(79,639,442)	825,969
Transfer to component units	(171,438,112)	(171,438,112)	(171,438,112)	-
Total other financing sources (uses)	(238,683,164)	(250,353,586)	(246,693,197)	3,660,389
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(11,358,623)	(19,759,438)	8,739,174	28,498,612
Fund balances - beginning	134,922,330	134,922,330	134,922,330	-
Fund balances - ending	\$ 123,563,707	115,162,892	143,661,504	28,498,612

Unaudited - see accompanying auditor's report and note to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedules of Funding Progress - Virginia Retirement System (unaudited)
 Year Ended June 30, 2013

City Employees

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$	547,671,681	765,534,719	217,863,038	71.54%	\$ 138,197,450	157.65%
June 30, 2011		545,391,980	732,129,917	186,737,937	74.49%	137,807,097	135.51%
June 30, 2010		531,992,504	701,216,175	169,223,671	75.87%	139,151,877	121.61%

Schools' Non-Professional Employees

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$	62,016,430	88,437,402	26,420,972	70.12%	\$ 20,446,608	129.22%
June 30, 2011		62,210,606	85,712,381	23,501,775	72.58%	20,528,970	114.48%
June 30, 2010		60,621,268	82,740,524	22,119,256	73.27%	20,517,369	107.81%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-3

Schedules of Funding Progress - Other Postemployment Benefits (unaudited)
Year Ended June 30, 2013

City	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2013	June 30, 2013	\$ 40,266,226	126,666,000	86,399,774	31.79%	\$ 149,594,019	57.76%
	July 1, 2012	June 30, 2012	29,545,621	126,462,000	96,916,379	23.36%	153,697,499	63.06%
	July 1, 2011	June 30, 2011	20,337,570	136,080,493	115,742,923	14.95%	152,253,276	76.02%

Schools	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2012	June 30, 2013	\$ 8,547,297	362,045,590	353,498,293	2.36%	\$ 231,925,031	152.42%
	July 1, 2011	June 30, 2012	8,657,970	550,012,749	541,354,779	1.57%	228,512,576	236.90%
	July 1, 2010	June 30, 2011	5,511,531	500,493,509	494,981,978	1.10%	231,297,764	214.00%

Excludes pension obligation for Chesapeake Public Schools teachers who are included in a statewide teacher pension system with Virginia

Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)
 Year Ended June 30, 2013

City				
		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2013	\$	11,752,000	12,029,095	102.36%
2012		12,474,000	10,441,279	83.70%
2011		13,145,782	9,249,892	70.36%

Schools				
		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2013	\$	37,604,581	7,222,623	19.21%
2012		56,943,414	6,624,530	11.63%
2011		59,569,434	8,048,272	13.51%

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2013

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Annual budget requests of the General Fund, Special Revenue Funds (except the Community Development Fund, Grants Fund, Open Space Agriculture Preservation Fund, and CSB of Chesapeake, Inc., a blended component unit), Debt Service Fund, and Enterprise Funds (excluding construction funds) for the ensuing fiscal year are submitted to the City Manager by department or agency heads during the second quarter of the fiscal year. The City Manager reviews the requests and meets with department heads to discuss the requests. The Capital Projects Funds, Utility Construction Funds, Stormwater Management Construction Fund, Chesapeake Expressway Construction Fund, Grants Fund, Open Space Agriculture Preservation Fund, and the Community Development Fund utilize project budgets in lieu of legally adopted annual budgets. The City Council does not adopt a budget for CSB of Chesapeake, Inc.

Section 5.02 of the City Charter states that “the City Manager shall submit to the Council an operating budget and a budget message at least 90 days prior to the beginning of each fiscal year”. This budget includes the Public Schools’ budget request as adopted by the School Board which is by law a separate and autonomous “body politic”. The City Manager can recommend a revision only in the total estimated resources and requirements in the School Board budget request. The City Council makes an annual appropriation to the Public Schools but is prohibited from exercising any control over specific expenditures of the Public Schools’ operating funds.

The budget is required to be adopted at the fund level by a majority vote of the City Council at least 47 days prior to the end of the current fiscal year.

After work sessions and public hearings, the City Manager’s recommended budget may be amended by the City Council as necessary, and an appropriations ordinance, tax levy and other revenue enhancements as may be necessary to balance the budget are adopted. Tax rates are established prior to the beginning of the fiscal year.

The City Council may authorize supplemental appropriations during the fiscal year based on the availability of financial resources. Additionally, City Council approves transfers of funds between departments and programs. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

Each appropriation in a legally adopted annual budget lapses at the close of the fiscal year to the extent that it has not been expended or encumbered. Because encumbrances outstanding at year end are reappropriated under the following year’s budget adoption process, encumbrances are considered expenditures (for budgetary purposes) in the year that the expenditure is incurred.

Appropriations for funds utilizing capital or project budgets do not lapse at year end but are multi-year and continue until the purpose of the appropriation has been fulfilled or abandoned. Appropriations under the capital improvement program are considered abandoned if three years pass without any disbursement or encumbrance of the appropriation. The level of budgetary control is on a project basis with additional controls being exercised administratively, as reasonable and necessary.

The General Fund budget is adopted on a modified accrual basis consistent with accounting principles generally accepted in the United States of America.

The original budget includes the adjustments necessary to bring forward the reappropriated encumbrances as authorized in the annual budget resolution.

Other Supplementary Information -
Combining and Individual Fund
Schedules



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Chesapeake
VIRGINIA

General Fund

General Fund – To account for all revenues and expenditures of the City which are not accounted for in other funds. Revenues are primarily derived from general property taxes, other local taxes, charges for services, and revenue from state and federal grants.

A significant part of the General Fund's revenue is transferred to component units and other funds, principally to fund operations of the Chesapeake Public Schools, the Virginia Public Assistance Fund, the Community Services Fund, the Parks and Recreation Fund, debt service requirements for the City and Public Schools, and to fund construction projects.



CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 217,633,339	218,492,465	859,126
Current taxes on public service corporations	10,190,000	10,774,174	584,174
Current taxes on personal property	36,304,000	33,864,755	(2,439,245)
Delinquent taxes on real property	3,786,900	4,905,117	1,118,217
Delinquent taxes on personal property	9,569,495	11,085,220	1,515,725
Penalties, interest, and advertising	2,397,110	3,028,635	631,525
Total general property taxes	279,880,844	282,150,366	2,269,522
Other local taxes			
Local sales and use taxes	34,000,000	34,451,338	451,338
Consumer utility taxes	10,559,660	10,258,697	(300,963)
Communications sales tax	7,079,215	7,256,075	176,860
Business license taxes	21,031,000	24,268,792	3,237,792
Local utility consumption tax	926,680	874,882	(51,798)
Bank stock taxes	1,449,110	1,213,804	(235,306)
Taxes on recordation and wills	2,394,350	3,054,938	660,588
Tobacco taxes	4,665,440	4,436,267	(229,173)
Hotel and motel room taxes	4,308,640	3,722,028	(586,612)
Restaurant food taxes	20,238,850	20,678,321	439,471
Admission taxes	669,840	917,132	247,292
Short-term rental taxes	298,640	395,127	96,487
Pari-mutuel wagering pool tax	85,550	90,511	4,961
Total other local taxes	107,706,975	111,617,912	3,910,937
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	40	28	(12)
Building structure and equipment permits	701,200	874,992	173,792
Precious metals and gems permits	4,000	5,400	1,400
Highway and driveway permits	15,300	16,350	1,050
Transfer fees	5,000	6,028	1,028
Zoning inspection fees	34,864	52,280	17,416
Building inspection fees	20,270	7,795	(12,475)
Electrical inspection fees	271,625	273,681	2,056
Elevator inspection fees	21,760	22,080	320
Plumbing inspection fees	164,590	171,093	6,503
Mechanical permits	365,000	329,163	(35,837)
Subdivision review fees	135,920	184,355	48,435
Solicitors permits	3,000	5,225	2,225
Taxi operators licenses	820	1,410	590
Motor vehicle license	5,737,270	5,902,376	165,106
Inspection fees - gas appliances	48,400	58,807	10,407
Animal license and fees	166,759	167,504	745
Rodent free certification fee	3,150	4,480	1,330
Hunting and fishing license	440	(5)	(445)
Rental inspection fees	11,250	8,725	(2,525)
Total licenses, permits, and fees	7,710,658	8,091,767	381,109
Fines and forfeitures	2,302,130	3,000,462	698,332
Investment income	269,000	(101,924)	(370,924)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 205,415	197,015	(8,400)
Rental of recreational properties and facilities	215,720	204,520	(11,200)
Library rental revenue	13,000	11,005	(1,995)
Rental of showmobile	35,540	41,616	6,076
Total revenues from use of property	469,675	454,156	(15,519)
Charges for services:			
Special court costs	50,000	73,257	23,257
Law library fees	108,500	97,222	(11,278)
Accident report fees	35,000	40,386	5,386
Municipal court fees	50,000	64,830	14,830
Civil penalties	20,550	33,273	12,723
Non-support fees	60,000	123,757	63,757
Commonwealth's Attorney fees	10,000	24,975	14,975
Police escort fees	50,000	23,557	(26,443)
Sale of service - police	129,227	211,816	82,589
Fire report fees	-	815	815
Sheriff fees	22,860	22,861	1
Inmate medical fees	12,103	26,487	14,384
Sale of service - jail	604,636	631,067	26,431
Sale of service - jail inmates	53,676	88,747	35,071
Inmate phone system - jail	428,025	496,425	68,400
Sale of service - sheriff	1,165,623	1,294,656	129,033
Sale of service - public works	316,750	342,753	26,003
Engineering and administrative fees	175,000	90,593	(84,407)
Recreation fees	95,350	104,947	9,597
Library fines and fees	318,700	264,816	(53,884)
Lot processing fees	50,000	58,900	8,900
Sale of service - planning	187	4,420	4,233
Sale of service - public information	-	566	566
Sale of publications	-	61	61
Returned check fees	19,500	16,184	(3,316)
Custodian service	125,000	118,572	(6,428)
Wage assignment fees	10,000	5,843	(4,157)
Sale of service - assessor	4,000	5,163	1,163
Emergency medical service fees	3,454,492	4,250,165	795,673
Administration collected fees	807,410	1,003,825	196,415
Wetland Board Civil fees	14,700	44,700	30,000
Passport application fee	18,626	69,046	50,420
Sale of service - Commissioner of Revenue	50,100	53,104	3,004
Subdivision inspection fees	43,000	96,910	53,910
Fire plan review fees	-	34,790	34,790
Zoning fees	20,400	23,363	2,963
Building plan fees	52,800	48,532	(4,268)
Inspections technology fee	64,500	65,870	1,370
E-Government subscription fee	26,900	29,842	2,942
Waste and recycling service	-	12,341	12,341
Total charges for services	8,467,615	9,999,437	1,531,822

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Sale of real property	\$ -	217,608	217,608
Sale of ARC - public works	10,000	13,369	3,369
Sale of junk and salvage	5,500	15,843	10,343
Escheated funds	-	1,321	1,321
Other revenue	85,960	80,083	(5,877)
Total miscellaneous local revenues	101,460	328,224	226,764
Recovered costs:			
Insurance claims and collections	-	1,000	1,000
Other recoveries and rebates	200	390,190	389,990
Recoveries - Jury	-	3,463	3,463
Total recovered costs	200	394,653	394,453
Total revenues from local sources	406,908,557	415,935,053	9,026,496
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	142,508	174,446	31,938
Mobile home titling taxes	40,000	60,908	20,908
Indirect costs	275,000	368,776	93,776
Daily rental taxes - auto	713,560	886,013	172,453
Deed taxes	590,000	628,425	38,425
Personal Property Tax Relief	28,590,001	28,590,001	-
Local aid to the Commonwealth Contra Revenue	(1,209,075)	(1,202,715)	6,360
Total noncategorical aid	29,141,994	29,505,854	363,860
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,672,290	1,634,523	(37,767)
Sheriff	8,533,451	8,480,565	(52,886)
Commissioner of the Revenue	334,000	335,400	1,400
Treasurer	357,986	348,588	(9,398)
Registrar/Electoral Board	76,829	87,067	10,238
Circuit court clerk	1,370,393	1,098,564	(271,829)
Agriculture	75,348	76,101	753
Jail project reimbursement - State	614,536	614,537	1
Total shared expenses	13,034,833	12,675,345	(359,488)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 2,181,789	2,532,700	350,911
Police	6,299,897	6,299,897	-
Street and highway maintenance	30,283,555	30,283,555	-
Library	175,163	175,163	-
Health	17,371	17,371	-
Excess fees	190,000	263,851	73,851
Transportation improvement set-aside	1,000,000	1,031,356	31,356
Total other categorical aid	40,147,775	41,137,887	990,112
Total categorical aid	53,182,608	53,813,232	630,624
Total revenues from the Commonwealth	82,324,602	83,319,086	994,484
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	26,644	29,106	2,462
Categorical aid:			
Other federal grants	25,626	20,688	(4,938)
Drug Enforcement Agency	-	23,068	23,068
Emergency reimbursement - federal	40,393	1,465,984	1,425,591
Total revenues from the Federal Government	92,663	1,538,846	1,446,183
Total revenues	489,325,822	500,792,985	11,467,163
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	79,024	79,024
Chesapeake Public Schools - cash reversion	-	2,665,112	2,665,112
Transfers from other funds	1,549,937	1,640,221	90,284
Total other financing sources	1,549,937	4,384,357	2,834,420
Total revenues and other financing sources	\$ 490,875,759	505,177,342	14,301,583

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
Schedule of Expenditures, Encumbrances, and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2013

	Appropriations	Operating	Expenditures		Total	Balance	Encumbrances	Unencumbered Balance
			Capital Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 840,864	812,387	-	-	812,387	28,477	-	28,477
Executive Department:								
City manager	1,669,844	1,521,711	-	-	1,521,711	148,133	69,100	79,033
Public communications	1,020,451	931,453	-	-	931,453	88,998	-	88,998
Contingencies	383,939	-	-	-	-	383,939	-	383,939
Environmental emergencies	325,000	32,131	-	-	32,131	292,869	-	292,869
Department of Law - City Attorney	1,768,396	1,708,061	-	-	1,708,061	60,335	370	59,965
Department of Finance:								
Commissioner of revenue	3,139,008	2,933,065	-	-	2,933,065	205,943	4,121	201,822
Real estate assessor	2,276,239	2,128,342	10,480	-	2,138,822	137,417	1,120	136,297
Board of equalization	4,346	1,973	-	-	1,973	2,373	-	2,373
City treasurer	4,198,676	3,934,113	-	-	3,934,113	264,563	12,453	252,110
Director of finance	1,827,505	1,708,755	-	-	1,708,755	118,750	19,728	99,022
Economic development	1,840,128	1,600,697	-	-	1,600,697	239,431	75,128	164,303
Budget director	628,839	605,887	-	-	605,887	22,952	7,025	15,927
City auditor	520,589	508,648	-	-	508,648	11,941	-	11,941
Independent auditors	180,805	118,884	-	-	118,884	61,921	-	61,921
Financial advisory services	180,597	-	-	-	-	180,597	59,955	120,642
Department of Human Resources:								
Human resources	1,989,020	1,902,043	13,335	-	1,915,378	73,642	-	73,642
HIPAA	254,118	206,844	-	-	206,844	47,274	44,430	2,844
Judicial Department:								
Circuit court	606,901	541,383	-	-	541,383	65,518	-	65,518
Magistrates office	68,422	61,821	-	-	61,821	6,601	-	6,601
General district court	288,207	269,683	-	-	269,683	18,524	-	18,524
Juvenile and domestic relations court	112,877	108,064	-	-	108,064	4,813	-	4,813
Court services unit	277,395	269,311	-	-	269,311	8,084	-	8,084
Commonwealth's attorney	3,627,956	3,473,641	-	-	3,473,641	154,315	-	154,315
Circuit court clerk	2,344,195	2,069,376	-	-	2,069,376	274,819	155,161	119,658
Sheriff	37,003,234	35,796,185	73,532	-	35,869,717	1,133,517	265,753	867,764
Purchasing	650,960	579,890	-	-	579,890	71,070	6,302	64,768
Department of Public Health:								
Adult clinics	600,000	600,000	-	-	600,000	-	-	-
General clinics	1,549,770	1,519,806	-	-	1,519,806	29,964	-	29,964
OSHA services	616,190	612,832	-	-	612,832	3,358	-	3,358

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
Schedule of Expenditures, Encumbrances, and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2013

	Appropriations	Expenditures			Total	Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
General government, continued:								
Department of Public Library:								
Public library	\$ 7,634,112	7,098,959	3,429		7,102,388	531,724	89,137	442,587
Public library state aid	175,163	173,056	-		173,056	2,107	2,107	-
Law library	111,678	86,488	-		86,488	25,190	-	25,190
Boards and Commissions:								
Planning department	1,811,346	1,612,460	-		1,612,460	198,886	60,000	138,886
Planning commission	49,577	34,139	-		34,139	15,438	-	15,438
Electoral board	885,098	867,846	-		867,846	17,252	-	17,252
Electoral workers	145,933	146,804	-		146,804	(871)	-	(871)
Department of Agriculture	366,070	331,434	-		331,434	34,636	15	34,621
Bureau of Community Programs	1,225,614	1,043,831	-		1,043,831	181,783	29,920	151,863
Customer Contact Center	586,954	565,021	-		565,021	21,933	-	21,933
Department of Development and Permits:								
Neighborhood services	3,624,436	3,427,027	-		3,427,027	197,409	30	197,379
Office of zoning administration	2,457,533	2,228,479	-		2,228,479	229,054	-	229,054
Nondepartmental:								
Support of civic and community organizations	320,462	292,317	-		292,317	28,145	-	28,145
Regional cooperation and support	6,175,494	6,142,223	-		6,142,223	33,271	-	33,271
Other postemployment benefits	9,830,200	9,857,582	-		9,857,582	(27,382)	-	(27,382)
Other nondepartmental support	1,236,842	1,028,002	-		1,028,002	208,840	-	208,840
Chesapeake regional airport	266,727	266,727	-		266,727	-	-	-
Debt service	2,657,000	2,540,494	-		2,540,494	116,506	-	116,506
Total general government	110,354,710	104,299,875	100,776		104,400,651	5,954,059	901,855	5,052,204
Public Safety:								
Police department	39,097,378	38,240,952	92,780		38,333,732	763,646	535,479	228,167
Animal control	1,468,615	1,393,992	-		1,393,992	74,623	14,022	60,601
Public safety training	908,380	879,371	-		879,371	29,009	15,540	13,469
Fire department	38,366,839	38,240,956	-		38,240,956	125,883	6,336	119,547
Fire prevention bureau	1,321,766	1,273,899	-		1,273,899	47,867	21,798	26,069
Fire training	183,441	177,640	-		177,640	5,801	-	5,801
Emergency management operations	330,841	295,573	-		295,573	35,268	16	35,252
Total public safety	81,677,260	80,502,383	92,780		80,595,163	1,082,097	593,191	488,906
Public works:								
Engineering and administration	8,746,366	8,233,051	-		8,233,051	513,315	2,286	511,029
Traffic engineering	1,840,136	1,573,298	-		1,573,298	266,838	16,695	250,143
Street maintenance	6,267,995	4,200,228	831,701		5,031,929	1,236,066	579,424	656,642
Bridges and structures	2,023,903	1,925,877	-		1,925,877	98,026	-	98,026
Bureau of drainage	1,768,067	1,644,661	-		1,644,661	123,406	-	123,406

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
Schedule of Expenditures, Encumbrances, and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2013

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
Public works, continued:						
Contractual services	7,471,627	6,537,432	-	6,537,432	934,195	164,735
Buildings maintenance	5,500,464	5,331,275	-	5,331,275	169,189	109,848
Facilities Management - building	1,162,285	1,042,492	-	1,042,492	119,793	119,793
Public works operations	598,035	551,354	-	551,354	46,681	46,681
Solid waste collection	8,059,236	7,714,917	10,615	7,725,532	333,704	228,509
SPSA	16,771,096	14,819,773	-	14,819,773	1,951,323	8,389
Total public works	60,209,210	53,574,358	842,316	54,416,674	3,475,335	2,317,201
Parks:						
Administration	2,438,355	2,201,612	48,265	2,249,877	188,478	179,102
Community centers	1,752,984	1,627,698	-	1,627,698	125,286	92,381
Parks and grounds maintenance	1,914,128	1,741,625	18,533	1,760,158	153,970	52,315
Parks, grounds, and building maintenance - warehouse and workorder	136,828	128,072	-	128,072	8,756	8,620
Portlock Galleries	44,280	11,270	-	11,270	33,010	28,160
Special programs	112,176	102,317	-	102,317	9,859	9,859
Fine arts programs	91,743	68,734	-	68,734	23,009	5,309
Total parks	6,490,494	5,881,328	66,798	5,948,126	542,368	375,746
Total expenditures and encumbrances	258,731,674	244,257,944	1,102,670	245,360,614	13,371,060	8,234,057
OTHER FINANCING USES						
Transfers to component unit:						
Public Schools	\$ 171,438,112	171,438,112	-	171,438,112	-	-
Transfers to other funds:						
Debt Service Fund	45,941,474	45,941,473	-	45,941,473	1	1
Capital Projects Fund	15,227,701	15,227,701	-	15,227,701	-	-
Virginia Public Assistance Fund	5,595,185	4,937,725	-	4,937,725	657,460	657,460
Community Services Fund	5,934,448	5,934,448	-	5,934,448	-	-
Interagency Consortium Fund	1,745,622	1,724,922	-	1,724,922	20,700	20,700
Grants Fund	278,576	278,576	-	278,576	-	-
Chesapeake Juvenile Services Fund	1,861,652	1,826,507	-	1,826,507	35,145	35,145
Information Technology Fund	31,742	31,742	-	31,742	-	-
City Garage Fund	13,254	13,254	-	13,254	-	-
Self Insurance Fund	2,501,561	2,501,561	-	2,501,561	-	-
Parks and Recreation Fund	1,334,196	1,221,533	-	1,221,533	112,663	112,663
Total transfers to other funds	80,465,411	79,639,442	-	79,639,442	825,969	825,969
Total other financing uses	251,903,523	251,077,554	-	251,077,554	-	825,969
Total expenditures, encumbrances, and other financing uses	\$ 510,635,197	495,335,498	1,102,670	496,438,168	14,197,029	9,060,026

Debt Service Fund

Debt Service Fund – To account for the accumulation of resources for the payment of principal, interest, and related costs on long-term financial obligations of governmental funds.



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CITY OF CHESAPEAKE, VIRGINIA

Schedule N

Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 140,000	(127,526)	(267,526)
Revenues from use of property	54,889	54,889	-
Recovered costs	-	216	216
Intergovernmental revenues:			
Commonwealth of Virginia	221,984	221,984	-
Federal government - American Reinvestment and Recovery Act	951,769	921,303	(30,466)
Total revenues	1,368,642	1,070,866	(297,776)
EXPENDITURES			
Interest on general obligation bonds	15,210,825	15,210,824	1
Interest on literary loans	57,609	57,609	-
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	1,038,089	1,038,089	-
Other debt expenditures	54,999	18,432	36,567
Redemption of general obligation bonds	38,943,043	38,943,043	-
Redemption of literary loans	323,493	323,493	-
Total expenditures	55,692,488	55,655,920	36,568
Deficiency of revenues under expenditures	(54,323,846)	(54,585,054)	(261,208)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	45,941,473	45,941,473	-
Conference Center Fund	1,000,000	1,000,000	-
Capital Projects Fund	-	462,357	462,357
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,469,080	1,454,312	(14,768)
Tax Increment Financing - South Norfolk Fund	598,863	598,863	-
Total transfers from other funds	49,073,846	49,521,435	447,589
Payments from component unit - Public Schools Capital Projects Fund	-	40,638	40,638
Premium on VPSA bonds	-	3,997,373	3,997,373
VPSA bonds proceeds	-	26,690,000	26,690,000
Payment to component unit - Public Schools Capital Projects Fund	-	(30,684,282)	(30,684,282)
Total other financing sources (uses)	49,073,846	49,565,164	491,318
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,250,000)	(5,019,890)	230,110
Fund balance - beginning	38,261,664	38,261,664	-
Fund balance - ending	\$ 33,011,664	33,241,774	230,110

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Chesapeake
VIRGINIA

Capital Projects Fund

Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities other than those financed by proprietary funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule O

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

Project	Appropriations	Prior	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Years	Current Year					
General construction projects:								
General Government:								
1011210100	American with Disability Act III	\$ 8,661	-	-	-	8,661	-	8,661
1011500100	Butts Station Operation Relocation Phase I	9,700,000	2,419,996	-	2,419,996	7,280,004	-	7,280,004
1011600100	Mosquito Control Facility Relocation	3,828,000	-	61,220	61,220	3,766,780	698,780	3,068,000
1011700100	Airport Authority Renovations	307,000	-	-	-	307,000	-	307,000
1021200100	Facilities High Priority Renewal & Replacement	3,557,007	3,008,346	430,741	3,439,087	117,920	-	117,920
1021200100	Facilities High Priority Renewal & Replacement	43,249	21,119	22,130	43,249	-	-	*
1021500100	High Priority Renewal and Replacements III	800,000	-	209,004	209,004	590,996	8,875	582,121
1021600100	Solid Waste Facility Relocation	2,170,000	-	-	-	2,170,000	-	2,170,000
1021700100	Dominion Boulevard Corridor	250,000	-	-	-	250,000	-	250,000
1030810100	American with Disability Act II	13,366	2,900	-	2,900	10,466	-	10,466
1041500100	Municipal Parking Lots and Sidewalks II	200,000	-	-	-	200,000	-	200,000
1041600100	Western Branch Property Acquisition	1,900,000	-	-	1,900,000	-	-	-
1041700100	South Norfolk - Strategic Acquisition of Real Property	3,351,974	-	-	-	3,351,974	8,510	3,343,464
1041700100	South Norfolk - Strategic Acquisition of Real Property	1,648,026	-	1,648,026	1,648,026	-	-	*
1051000100	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000
1051600100	Disaster Recovery Backup Radio System	101,300	-	101,059	101,059	241	241	-
1051700100	Council Chambers and Work Session Room	115,790	-	-	-	115,790	115,354	436
1061600100	Enterprise Kronos Upgrade	158,425	68,155	60,419	128,574	29,851	-	29,851
1071600100	FCC Narrowbanding Compliance	289,100	-	226,971	226,971	62,129	37,118	25,011
1081600100	Project 25 Radio System	9,601,674	-	56,440	56,440	9,545,234	1,002,870	8,542,364
1081700100	Human Services Case Management System	750,000	-	-	-	750,000	341,955	408,045
1090900100	South Norfolk Strategic Development	2,000,000	1,495,506	467,245	1,962,751	37,249	27,606	9,643
1091100100	Greenbrier - Wayfinding Signage	236,411	66,976	-	66,976	169,435	59,484	109,951
1091400100	Human Services - HVAC/Emergency Exit	1,480,000	1,197,346	273,676	1,471,022	8,978	-	8,978
1101200100	South Norfolk Community Development	100,000	16,123	16,689	32,812	67,188	-	67,188
1101410100	Telephone System Upgrade	73,126	3,936	(43,282)	(39,346)	112,472	59,805	52,667
1121100100	Enterprise Wide Technology Improvement	61,040	54,713	-	54,713	6,327	-	6,327
1121400100	e-Government Initiative Phase II Web 2.0	82,000	-	16,400	16,400	65,600	-	-
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	1,000,000	-	-	-	1,000,000	-	1,000,000
1131200100	Greenbrier Center District - Greenbrier TIF	4,992,451	492,054	998,910	1,490,964	3,501,487	529,454	2,972,033
1131210100	Battlefield/Volvo Improvements	681,402	380,153	191,495	571,649	109,753	-	109,753
1131700100	WCTV Field and Remote Equipment Replacements	204,170	-	-	-	204,170	203,875	295
1141000100	Greenbrier TIF - Conference Center District	1,783,305	-	-	-	1,783,305	-	1,783,305
1141000100	Greenbrier TIF - Conference Center District	463,564	443,871	19,693	463,564	-	-	*
1141700100	WCTV Studio Equipment Replacements	272,495	-	-	-	272,495	272,369	126
1150900100	Fire Station 3 - Indian River	3,740	-	-	-	3,740	-	3,740
1150900100	Fire Station 3 - Indian River	181,736	181,736	-	181,736	-	-	*
1151000100	Conference Center Renovations	510,710	15,380	139,500	154,880	355,831	86,086	269,745
1151000100	Conference Center Renovations	2,244,160	2,214,523	29,637	2,244,160	-	-	*
1151100100	Community Quality of Life Incentive	88,723	84,325	4,398	88,723	-	-	-
1151200100	North Corporate District - Greenbrier TIF	528,090	122,537	150,605	273,143	254,947	-	254,947
(Continued)								

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1151300100	\$ 753,587	62,838	486,306	549,144	204,443	18,407	186,036
1159810100	127	127	-	127	-	-	- *
1161200100	316,854	59,904	219,467	279,371	37,483	37,483	-
1181000100	250,000	-	-	-	250,000	-	250,000
1181200100	1,970,000	2,209,541	(256,580)	1,952,961	17,039	16,075	964
1181300100	10,915,970	1,942,980	279,989	2,222,969	8,693,001	9,250	8,683,751
1191200100	7,400,000	4,241,094	1,208,143	5,449,237	1,950,763	86,164	1,864,599
1201000100	1,310,238	-	-	-	1,310,238	-	1,310,238
1201200100	2,909,556	381,594	2,174,373	2,555,967	353,589	237,307	116,282
1221000100	395,000	367,479	-	367,479	27,521	-	27,521
1230900100	7,177	-	-	-	7,177	-	7,177
1230900100	2,646,490	2,646,490	-	2,646,490	-	-	- *
1241000100	148,212	148,212	-	148,212	-	-	- *
1271500100	483,058	482,204	-	482,204	854	-	854
1271600100	703,265	72,629	152,955	225,584	477,680	12,639	465,041
1280500100	1,259,236	1,259,236	-	1,259,236	-	-	-
1281500100	3,500,000	554,596	723,390	1,277,985	2,222,015	2,215,896	6,119
1281600100	335	-	-	-	335	-	335
1281600100	999,400	995,613	3,787	999,400	-	-	- *
1300900100	812,344	806,083	6,261	812,344	-	-	-
1390600100	18,033	-	-	18,033	-	-	- *
1411300100	208,745	44,864	29,511	74,375	134,369	109,057	25,312
1441300100	1,300,000	154,962	552,698	707,660	592,341	4,416	587,925
1451300100	1,524	-	-	-	1,524	-	1,524
1491700100	246,400	-	106,151	106,151	140,249	29,339	110,910
1501700100	147,000	-	12,666	12,666	134,334	-	134,334
1561700100	3,284,073	-	326	326	3,283,747	-	3,283,747
1611200100	800,000	451,151	3,110	454,261	345,739	-	345,739
1621200100	4,768,662	-	-	-	4,768,662	-	4,768,662
1631200100	14,851	7,425	-	7,425	7,426	-	7,426
1631210100	4,000,001	183,860	727,021	910,881	3,089,120	161,674	2,927,446
1911200100	700,000	79,975	211,406	291,381	408,619	224,831	183,788
1921200100	956,559	27,317	144,701	172,018	784,541	638,740	145,801
1951200100	23,598	23,598	-	23,598	-	-	- *
1981200100	1,366,359	813,828	128	813,956	552,404	-	552,404
Total General Government	113,497,349	32,225,327	11,866,788	44,092,115	69,405,234	7,319,260	62,085,974
Continued							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

Project	Appropriations	Prior Years	Expenditures		Total	Unexpended		Unencumbered
			Current Year			Balance	Balance	
General construction projects, continued:								
Department of Public Safety:								
1040900200	Grade Crossing Safety & Intersection	150,000	1,221	-	1,221	148,779	-	148,779
1061100200	Land Acquisition - Fire Station #10 / Police Precinct #6	605,610	-	-	-	605,610	-	605,610
1071100200	Fire Station #10 - Design	735,000	-	450	450	734,550	-	734,550
1111600200	Logistics Support Center	632,000	-	-	-	632,000	-	632,000
1131100200	Self/Contained Breathing Apparatus	620	-	-	-	620	-	620
1141400200	Jail HVAC/Energy Retrofit	4,000,000	3,996,097	-	3,996,097	3,903	-	3,903
1161100200	Police Precinct Building - Greenbrier	29	-	-	-	29	-	29
1161100200	Police Precinct Building - Greenbrier	1,109,976	1,109,976	-	1,109,976	-	-	-
1220900200	Public Safety Building Addition Study	31,290	-	-	-	31,290	-	31,290
1230900200	Animal Control Bureau Shelter	820,393	820,393	-	820,393	-	-	-
1241000200	Public Safety Facility Design	897,904	18,679	-	18,679	879,225	-	879,225
1251500200	Restroom Renovations Firestation #4 and #13	200,000	3,938	5,351	9,289	190,711	112,495	78,216
1371400200	Animal Service Facility	1,430,593	1,659	567,888	569,547	861,046	118,609	742,437
1371400200	Animal Service Facility	10,621,353	10,493,311	128,042	10,621,353	-	-	-
1381400200	Public Safety Site Remediation / Turn Lane Construction	1,750,000	883,606	-	883,606	866,394	-	866,394
1391400200	Public Safety Headquarters EOC/EDC Phase I	39,571,390	1,026,742	2,423,279	3,450,021	36,121,369	1,331,793	34,789,576
1571700200	Critical Public Safety Equipment	725,000	-	-	-	725,000	219,918	505,082
1591200200	Jail Phase II - Design	9,741,443	7,723,646	185,754	7,909,400	1,832,043	44,643	1,787,400
1971200200	Public Safety Training Academy	91,757	91,757	-	91,757	-	-	-
1991200200	Sheriff Work Release Equipment	50,000	12,241	183	12,423	37,577	-	37,577
Total Department of Public Safety		73,164,359	26,183,266	3,310,947	29,494,213	43,670,146	1,827,458	41,842,688
Department of Public Works:								
1020710300	Gilmerton Bridge Repairs II	1,024,117	1,024,117	-	1,024,117	-	-	-
1020720300	Gilmerton Bridge Repairs II	210,412	-	9,925	9,925	200,487	-	200,487
1020810300	Campostella Road Culvert and Ditch Upgrade	200,000	-	-	-	200,000	-	200,000
1031200300	Grade Crossing Safety Program II	200,000	-	-	-	200,000	-	200,000
1040600300	Gilmerton Bridge Replacement	2,129,598	68,899	-	68,899	2,060,699	-	2,060,699
1040900300	Grade Crossing Safety Program	100,000	16,523	-	16,523	83,477	-	83,477
1041200300	Repairs and Maintenance Roads / Bridges	112,319	8,000	100,902	108,902	3,417	-	3,417
1050900300	Smart Traffic Center Phase 2	31,333	-	-	-	31,333	-	31,333
1050900300	Smart Traffic Center Phase 2	4,863,666	4,863,666	-	4,863,666	-	-	-
1051100300	George Washington Highway Right of Way Acquisition	915,000	868,527	37,509	906,036	8,964	-	8,964
1080410300	Undesignated Public Works Projects II	5,544	5,544	-	5,544	-	-	-
1131500300	Elbow Road Safety Improvements	103,563	10,985	4,023	15,008	88,555	-	88,555
1141500300	Elbow Road Phase I	2,022,016	395	-	395	2,021,621	-	2,021,621
1150500300	Master Road Plan Study	14,851	7,426	-	7,426	7,426	-	7,426
1151500300	Bruce Road/Taylor Road Right Turn Lane	225,000	26,350	5,070	31,420	193,580	3,585	189,995
1161500300	Military Highway S at Baugher Avenue	231,618	2,586	-	2,586	229,032	-	229,032
1171300300	Repair & Maintenance Roads/Bridges II	698,099	-	-	-	698,099	-	698,099
1171500300	Military Highway S at State Street	432,907	5,173	-	5,173	427,734	-	427,734
(Continued)								

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1200510300	\$	357,478	-	600	356,878	-	356,878
1210500300		1,878,206	1,878,205	1,878,205	-	-	- *
1210600300		199,743	-	199,743	-	-	- *
1210820300		430,607	109,789	60,188	260,630	26,050	234,580
1211000300		2,201,200	495,323	1,086,327	619,550	380,074	239,476
1241500300		3,306,412	2,904,632	303,418	3,208,050	98,362	98,362
1270710300		1,963,942	1,625,442	-	338,500	-	338,500
1271300300		19,303	-	-	19,303	-	19,303
1271300300		485,797	459,339	485,797	-	-	- *
1301600300		105,000	(10,657)	93,343	11,657	-	11,657
1311600300		247,500	53,296	112,124	135,376	135,313	63
1321500300		158,202	800	2,200	156,002	-	156,002
1331100300		402,538	402,538	-	-	-	- *
1341100300		803,838	596,712	17,126	190,000	-	190,000
1341140300		1,037,548	580,976	613,838	36,718	-	36,718
1350900300		162,024	-	1,000,831	162,024	-	162,024 *
1351000300		15,218,000	296,111	910,036	14,307,965	307,084	14,000,881
1361000300		691,783	-	-	691,783	-	691,783
1361000300		1,008,217	-	1,008,217	-	-	- *
1380610300		56,405	53,789	623	1,993	-	1,993
1401400300		34,000	17,481	17,481	16,519	-	16,519
14414003ES		1,410,000	136,791	239,040	1,034,169	974,999	59,170
1441700300		150,000	-	-	150,000	-	150,000
1451700300		1,400,000	-	-	1,400,000	-	1,400,000
1461700300		650,000	-	-	650,000	100,830	549,170
1479910300		105,751	105,751	105,751	-	-	-
1481700300		398,364	-	-	398,364	-	398,364
1511700300		500,000	-	869	499,131	-	499,131
1541700300		300,000	-	402	299,598	-	299,598
1641200300		670,000	84,544	2,460	582,996	-	582,996
1651200300		488,318	488,318	-	-	-	- *
1671210300		1,061,727	341,288	419,162	642,565	305,053	337,512
1831200300		2,689,191	709,870	837,402	1,141,919	221,142	920,777
1851200300		1,051,622	1,051,622	-	-	-	- *
1861200300		1,286,207	1,244,985	41,222	1,286,207	-	- *
1881200300		2,696	-	-	2,696	-	2,696
1881200300		1,560,306	1,564,870	(4,564)	-	-	- *
Total Department of Public Works		58,011,968	23,044,740	4,308,107	30,659,120	2,454,130	28,204,990
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

Project	Appropriations	Prior	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered
		Years	Current Year					
General construction projects, continued:								
Department of Parks and Recreation:								
1041100400 Demolition of Camp 22 Buildings	\$ 22,672	-	-	-	-	22,672	-	22,672
1091600400 General Improve CommCtr/Parks	467,024	49,993	205,919	255,912	255,912	211,112	8,953	202,159
1161300400 Deep Creek Park	4,810,415	4,727,749	46,362	4,774,111	4,774,111	36,305	6,255	30,050
1170500400 Parks Land Acquisition	143,103	-	-	-	-	143,103	-	143,103
1170500400 Parks Land Acquisition	1,350,099	1,350,099	-	1,350,099	1,350,099	-	-	- *
1221200400 Johnson Park Improvements	550,000	304,603	-	304,603	304,603	245,397	110,638	134,759
1260700400 Battlefield Visitor Center	2,508,750	1,902,138	5,568	1,907,706	1,907,706	601,044	160,504	440,540
1271110400 Park Shelters & Playgrounds	149,278	-	93,838	93,838	93,838	55,440	-	55,440
1301500400 Cascade Blvd. Park Lighting	219,228	508	191,215	191,723	191,723	27,505	-	27,505
1311500400 SoNo Armory Demolition	510,375	70,340	370,116	440,456	440,456	69,919	10,783	59,136
1311510400 SoNo Pedestrian Beacon Lighting	100,000	4,470	72,980	77,450	77,450	22,550	-	22,550
1321600400 City Park Improvements	6,400,000	4,436,555	1,864,825	6,301,380	6,301,380	98,620	17,497	81,123
1340600400 New Park Development - Open Space	391,785	294,458	-	294,458	294,458	97,327	-	97,327
1451400400 Northwest River Renovations	242,000	24,294	-	24,294	24,294	217,706	8,635	209,071
1461400400 Centerville Park Upgrade	373,000	37,426	113,805	151,231	151,231	221,769	201,410	20,359
1841200400 Park Improvements	824,322	750,532	15,617	766,149	766,149	58,173	-	58,173
1961200400 Camelot Community Center	1,519,351	1,500,667	4,950	1,505,617	1,505,617	13,734	-	13,734
Total Department of Parks and Recreation	20,581,402	15,453,833	2,985,194	18,439,027	18,439,027	2,142,375	524,675	1,617,700
Department of Public Welfare:								
1521700500 Intermediate Care Facility	1,651,651	-	615,187	615,187	615,187	1,036,464	-	1,036,464 *
Total Department of Public Welfare	1,651,651	-	615,187	615,187	615,187	1,036,464	-	1,036,464
Department of Libraries:								
1081401000 Library Renewal/Replacement Profiler	577,952	290,030	44,983	335,013	335,013	242,939	74,585	168,354
1101701000 Library Technology Upgrade/Replacement	251,885	-	251,885	251,885	251,885	-	-	- *
1551701000 Library Children's Room Renovations	179,248	-	89,987	89,987	89,987	89,261	89,261	-
Total Department of Libraries	1,009,085	290,030	386,855	676,885	676,885	332,200	163,846	168,354
Total General construction projects	267,915,814	97,197,196	23,473,078	120,670,274	120,670,274	147,245,540	12,289,369	134,956,171
School capital projects:								
9050326650 Grassfield High School	1,458,678	54,449	59,196	113,645	113,645	1,345,033	-	1,345,033
Total school capital projects	1,458,678	54,449	59,196	113,645	113,645	1,345,033	-	1,345,033
Lease revenue bonds								
6945020196 Trustee - Courthouse	n/a	92	-	92	92	(92)	-	(92)
Total lease revenue bonds	n/a	92	-	92	92	(92)	-	(92)
Supplemental agreements (trustee)								
6945030197 Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	2,211,316	(2,211,316)	-	(2,211,316)
Total Supplemental agreements (trustee)	n/a	2,211,316	-	2,211,316	2,211,316	(2,211,316)	-	(2,211,316)
Total expenditures and encumbrances	269,374,492	99,463,053	23,532,273	122,995,327	122,995,327	146,379,165	12,289,369	134,089,796
Less completed projects	38,638,256			37,439,768	37,439,768			
Construction in progress	230,736,236			85,555,559	85,555,559			

* Completed Projects
n/a - not applicable

Special Revenue and Permanent Funds

Special Revenue Funds:

Tax Increment Financing Funds – To account for incremental tax revenues generated in designated commercial areas of the City, Greenbrier and South Norfolk, and to fund improvements in the relevant areas through the use of those revenues.

Virginia Public Assistance Fund – To account for the rendering of economic aid to qualifying citizens.

Community Services Fund – To account for revenues and expenditures to provide services for mental health, intellectual disability, and substance abuse programs.

Conference Center Fund – To account for the operation of the City's Conference Center and the City's Conventions and Tourism programs.

Chesapeake Juvenile Services Fund – To account for revenues and expenditures related to the operation of a regional detention facility.

Interagency Consortium Fund – To account for revenues and expenditures of the delivery system for severely emotionally and/or behaviorally disturbed children.

E-911 Operations Fund – To account for revenues and expenditures related to the emergency call center.

Parks and Recreation Fund – To account for revenues and expenditures related to the parks and recreation activities.

Community Corrections Fund – Activity is being accounted for in the Grants Fund as of July 1, 2011.

Fee Supported Activities Fund – To account for revenues and expenditures related to fee supported activities.

Grants Fund – To account for revenues and expenditures related to specific grant activities.

Community Development Fund – To account for revenues and expenditures under the Community Development Block Grant Program.

Open Space Agriculture Preservation Fund – To account for the revenues and expenditures related to the purchase of development rights from willing sellers who own qualified agriculture land or open space.

Proffers Fund – To account for cash proffers provided to the City from developers for specific purposes.

Housing Trust Fund – To account for revenues and expenditures to provide services for temporary and permanent housing.

CSB of Chesapeake, Inc. – To account for the issuance of debt and the rental of a community services facility for the Community Services Board.

Permanent Funds:

Poor Fund and Carney Fund – To account for the investment of funds donated to the City. The expenditures of the income earned by these endowments are to be used for education.



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
ASSETS				
Cash and temporary investments	\$ 13,770,600	7,338,866	-	6,575,003
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	622,194	47,117
Federal government	-	-	1,023,659	-
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	2,653,339
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	-	-	-	(1,818,949)
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	13,770,600	7,338,866	1,645,853	7,456,510
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	76,147	268,716
Deposits	-	-	-	-
Accrued expenditures	-	-	29,600	16,157
Unearned revenue	-	-	-	354,917
Due to Commonwealth of Virginia	-	-	-	-
Due to Federal government	-	-	-	-
Due to other funds	-	-	116,023	-
Total liabilities	-	-	221,770	639,790
Fund Balances				
Nonspendable	-	-	-	-
Restricted	13,770,600	7,338,866	-	1,839,859
Committed	-	-	256,494	1,931,528
Assigned	-	-	1,167,589	3,045,333
Unassigned	-	-	-	-
Total fund balances	13,770,600	7,338,866	1,424,083	6,816,720
Total liabilities and fund balances	\$ 13,770,600	7,338,866	1,645,853	7,456,510

Schedule P-1

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
3,106,406	498,784	658,550	1,368,025	1,044,633	34,360,867
-	1,750	446,241	-	-	1,117,302
-	-	-	-	-	1,023,659
-	-	-	-	-	-
18,337	246,430	2,938	108,902	6,869	3,036,815
-	-	-	-	-	-
431,253	-	-	-	2,149	433,402
-	-	-	-	-	(1,818,949)
-	-	-	-	14,214	14,214
-	-	-	-	-	-
3,555,996	746,964	1,107,729	1,476,927	1,067,865	38,167,310
51,358	17,601	483,284	8,817	18,994	924,917
75,344	-	-	-	-	75,344
4,283	10,913	-	-	16,561	77,514
-	-	-	-	120,796	475,713
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	116,023
130,985	28,514	483,284	8,817	156,351	1,669,511
-	-	-	-	14,214	14,214
-	-	-	-	-	22,949,325
126,545	590,435	640	134,625	51,125	3,091,392
3,298,466	128,015	623,805	1,333,485	846,175	10,442,868
-	-	-	-	-	-
3,425,011	718,450	624,445	1,468,110	911,514	36,497,799
3,555,996	746,964	1,107,729	1,476,927	1,067,865	38,167,310

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			
	Community Corrections	Fee Supported Activities	Grants	Community Development
ASSETS				
Cash and temporary investments	\$ -	1,041,667	2,159,074	-
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	137,088	-
Federal government	-	-	2,144,511	203,842
Federal government - American Reinvestment and Recovery Act	-	-	223,035	-
Receivables:				
Accounts receivable	-	386,458	48,976	-
Interest receivable	-	-	-	-
Other	-	-	29,063	50,364
Allowance for uncollectible amounts	-	-	-	-
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	-	1,428,125	4,741,747	254,206
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	328,944	156,234	56,990
Deposits	-	-	-	-
Accrued expenditures	-	604	1,887	1,331
Unearned revenue	-	-	-	-
Due to Commonwealth of Virginia	-	-	55,413	-
Due to Federal government	-	-	10,088	-
Due to other funds	-	-	-	127,497
Total liabilities	-	329,548	223,622	185,818
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	4,140,199	-
Committed	-	150,756	377,926	214,599
Assigned	-	947,821	-	-
Unassigned	-	-	-	(146,211)
Total fund balances	-	1,098,577	4,518,125	68,388
Total liabilities and fund balances	\$ -	1,428,125	4,741,747	254,206

Open Space Agriculture Preservation	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
1,568,220	4,819,763	97,696	717,480	175,114	13,699	44,953,580
-	-	-	-	-	-	1,254,390
-	-	-	-	-	-	3,372,012
-	-	-	-	-	-	223,035
-	-	-	-	-	-	3,472,249
-	-	-	-	703	10	713
-	-	-	-	-	-	512,829
-	-	-	-	-	-	(1,818,949)
-	-	-	-	-	-	14,214
729,068	-	-	-	-	-	729,068
2,297,288	4,819,763	97,696	717,480	175,817	13,709	52,713,141
-	-	-	-	-	-	1,467,085
-	-	-	-	-	-	75,344
-	-	-	-	-	-	81,336
-	-	-	-	-	-	475,713
-	-	-	-	-	-	55,413
-	-	-	-	-	-	10,088
-	-	-	-	-	-	243,520
-	-	-	-	-	-	2,408,499
-	-	-	-	11,295	1,500	27,009
-	4,819,763	-	-	164,522	12,209	32,086,018
2,297,288	-	97,696	717,480	-	-	6,947,137
-	-	-	-	-	-	11,390,689
-	-	-	-	-	-	(146,211)
2,297,288	4,819,763	97,696	717,480	175,817	13,709	50,304,642
2,297,288	4,819,763	97,696	717,480	175,817	13,709	52,713,141

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
REVENUES				
Taxes on real property	\$ 4,343,972	3,491,236	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,613,623	7,398,856
Federal government	-	-	8,378,955	1,128,814
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Recovered costs	-	-	19,488	9,120
Investment income	24,701	13,164	971	11,794
Charges for services	-	-	10,508	3,865,733
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	1,275	-
Program income	-	-	-	-
Total revenues	4,368,673	3,504,400	13,024,820	12,414,317
EXPENDITURES				
Current:				
General government	73,605	95,836	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	17,776,926	17,435,946
Education - Payments to Public Schools	-	-	-	-
Capital outlay	-	-	-	139,306
Debt service	-	-	-	-
Total expenditures	73,605	95,836	17,776,926	17,575,252
Excess (deficiency) of revenues over (under) expenditures	4,295,068	3,408,564	(4,752,106)	(5,160,935)
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	-	-	4,937,725	5,934,448
Transfers to other funds	(2,705,790)	(7,943,602)	(766,252)	(950,934)
Total other financing sources (uses)	(2,705,790)	(7,943,602)	4,171,473	4,983,514
Net change in fund balance	1,589,278	(4,535,038)	(580,633)	(177,421)
Fund balance - beginning	12,181,322	11,873,904	2,004,716	6,994,141
Fund balance - ending	\$ 13,770,600	7,338,866	1,424,083	6,816,720

Schedule P-2

Special Revenue Funds					
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	E-911 Operations	Parks and Recreation	Subtotal
-	-	-	-	-	7,835,208
-	-	-	4,947,998	-	4,947,998
2,070,068	-	-	-	-	2,070,068
532,471	-	-	-	-	532,471
766,820	-	-	-	-	766,820
239,685	-	-	-	111,268	350,953
-	2,240,517	1,866,541	1,266,330	-	17,385,867
-	-	-	-	-	9,507,769
-	-	-	-	-	-
8,189	1,465,168	18,920	-	6,704	1,527,589
5,563	958	1,218	2,270	2,205	62,844
396,674	6,155	90	-	1,002,093	5,281,253
1,217,302	-	-	-	12,576	1,229,878
13,587	-	-	-	-	14,862
-	-	-	-	-	-
5,250,359	3,712,798	1,886,769	6,216,598	1,134,846	51,513,580
3,785,484	5,502,535	-	-	-	9,457,460
-	-	-	6,308,673	-	6,308,673
-	-	-	-	-	-
-	-	-	-	2,277,157	2,277,157
-	-	3,365,268	-	-	38,578,140
-	-	-	-	-	-
-	12,981	-	90,694	-	242,981
-	-	-	-	-	-
3,785,484	5,515,516	3,365,268	6,399,367	2,277,157	56,864,411
1,464,875	(1,802,718)	(1,478,499)	(182,769)	(1,142,311)	(5,350,831)
-	1,826,507	1,724,922	-	1,221,533	15,645,135
(1,005,563)	(4,403)	(1,218)	(5,076,512)	(2,205)	(18,456,479)
(1,005,563)	1,822,104	1,723,704	(5,076,512)	1,219,328	(2,811,344)
459,312	19,386	245,205	(5,259,281)	77,017	(8,162,175)
2,965,699	699,064	379,240	6,727,391	834,497	44,659,974
3,425,011	718,450	624,445	1,468,110	911,514	36,497,799

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds			
	Community Corrections	Fee Supported Activities	Grants	Community Development
REVENUES				
Taxes on real property	\$ -	-	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	2,689,307	-
Federal government	-	-	4,035,391	2,145,331
Federal government - American Reinvestment and Recovery Act	-	-	687,223	-
Recovered costs	-	13,680	-	-
Investment income	-	1,868	2,526	-
Charges for services	-	988,202	255,710	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	251,490	-
Program income	-	-	-	69,815
Total revenues	-	1,003,750	7,921,647	2,215,146
EXPENDITURES				
Current:				
General government	-	-	3,057,998	-
Public safety	-	970,993	2,260,697	-
Public works	-	-	36,546	-
Parks	-	-	78,922	-
Public welfare	-	-	349,016	2,134,928
Education - Payments to Public Schools	-	-	-	-
Capital outlay	-	10,360	2,034,127	-
Debt service	-	-	-	-
Total expenditures	-	981,353	7,817,306	2,134,928
Excess (deficiency) of revenues over (under) expenditures	-	22,397	104,341	80,218
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	-	-	486,957	-
Transfers to other funds	(83,445)	(251,868)	(23,827)	-
Total other financing sources (uses)	(83,445)	(251,868)	463,130	-
Net change in fund balance	(83,445)	(229,471)	567,471	80,218
Fund balance - beginning	83,445	1,328,048	3,950,654	(11,830)
Fund balance - ending	\$ -	1,098,577	4,518,125	68,388

Open Space Agriculture Preservation	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
271,284	-	-	-	-	-	8,106,492
-	-	-	-	-	-	4,947,998
-	-	-	-	-	-	2,070,068
-	-	-	-	-	-	532,471
-	-	-	-	-	-	766,820
35,200	-	-	-	-	-	386,153
-	-	-	-	-	-	20,075,174
-	-	-	-	-	-	15,688,491
-	-	-	-	-	-	687,223
-	-	-	-	-	-	1,541,269
(84,436)	-	175	1,444	866	103	(14,610)
-	-	-	-	-	-	6,525,165
-	-	-	-	-	-	1,229,878
-	1,747,154	-	-	-	-	2,013,506
-	-	-	-	-	-	69,815
222,048	1,747,154	175	1,444	866	103	64,625,913
2,500	-	-	-	-	-	12,517,958
-	-	-	-	-	-	9,540,363
-	-	-	-	-	-	36,546
-	-	-	-	-	-	2,356,079
-	-	-	25	-	-	41,062,109
-	1,836,105	-	-	-	-	1,836,105
-	-	-	-	-	-	2,287,468
-	-	-	323,954	-	-	323,954
2,500	1,836,105	-	323,979	-	-	69,960,582
219,548	(88,951)	175	(322,535)	866	103	(5,334,669)
-	-	-	323,954	-	-	16,456,046
(67,210)	(610,140)	-	-	-	-	(19,492,969)
(67,210)	(610,140)	-	323,954	-	-	(3,036,923)
152,338	(699,091)	175	1,419	866	103	(8,371,592)
2,144,950	5,518,854	97,521	716,061	174,951	13,606	58,676,234
2,297,288	4,819,763	97,696	717,480	175,817	13,709	50,304,642

CITY OF CHESAPEAKE, VIRGINIA***Schedule P-3***

Tax Increment Financing Greenbrier Fund
 Schedule of Revenues, Expenditures and Other
 Financing Uses - Budget and Actual
 Year Ended June 30, 2013

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	\$	3,680,102	4,343,972	663,870
Investment income		-	24,701	24,701
Total revenues		3,680,102	4,368,673	688,571
EXPENDITURES				
General government		532,413	73,605	458,808
Total expenditures		532,413	73,605	458,808
Excess of revenues over expenditures		3,147,689	4,295,068	1,147,379
OTHER FINANCING USES				
Transfer to other funds		(2,695,857)	(2,705,790)	(9,933)
Total other financing uses		(2,695,857)	(2,705,790)	(9,933)
Net change in fund balance		451,832	1,589,278	1,137,446
Fund balance - beginning		12,181,322	12,181,322	-
Fund balance - ending	\$	12,633,154	13,770,600	1,137,446

CITY OF CHESAPEAKE, VIRGINIA***Schedule P-4***

Tax Increment Financing South Norfolk Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2013

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	\$	3,354,120	3,491,236	137,116
Investment income		-	13,164	13,164
Total revenues		3,354,120	3,504,400	150,280
EXPENDITURES				
General government		495,135	95,836	399,299
Total expenditures		495,135	95,836	399,299
Excess of revenues over expenditures		2,858,985	3,408,564	549,579
OTHER FINANCING USES				
Transfer to other funds		(7,930,438)	(7,943,602)	(13,164)
Total other financing uses		(7,930,438)	(7,943,602)	(13,164)
Net change in fund balance		(5,071,453)	(4,535,038)	536,415
Fund balance - beginning		11,873,904	11,873,904	-
Fund balance - ending	\$	6,802,451	7,338,866	536,415

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,054,362	4,613,623	(440,739)
Federal government	7,659,702	8,378,955	719,253
Total intergovernmental revenue	12,714,064	12,992,578	278,514
Recovered costs	10,500	19,488	8,988
Investment income	-	971	971
Charges for services	1,200	10,508	9,308
Miscellaneous local revenues	-	1,275	1,275
Total revenues	12,725,764	13,024,820	299,056
EXPENDITURES			
Public welfare:			
Bureau of Public Assistance	4,093,839	3,741,477	352,362
Administration	3,835,722	3,612,168	223,554
Employment Service Program/VIEW	5,409,008	5,177,563	231,445
Food Stamp Administration	5,389,302	5,157,506	231,796
Other special programs	88,358	88,212	146
Total expenditures	18,816,229	17,776,926	1,039,303
Deficiency of revenues under expenditures	(6,090,465)	(4,752,106)	1,338,359
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	5,595,185	4,937,725	(657,460)
Transfer to other funds	(771,121)	(766,252)	4,869
Total other financing sources (uses)	4,824,064	4,171,473	(652,591)
Net change in fund balance	(1,266,401)	(580,633)	685,768
Fund balance - beginning	2,004,716	2,004,716	-
Fund balance - ending	\$ 738,315	1,424,083	685,768

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 875,075	875,075	-
Mental health grants	6,404,284	5,961,455	(442,829)
Intellectual disability grants	683,032	562,326	(120,706)
Total from the Commonwealth of Virginia	7,962,391	7,398,856	(563,535)
From the Federal government:			
Substance abuse and mental health and disability grant	1,037,827	1,128,814	90,987
Charges for services:			
Mental health fees	2,200,675	2,339,781	139,106
Intellectual disability fees	3,596,809	1,409,173	(2,187,636)
Substance abuse fees	161,500	116,779	(44,721)
Total charges for services	5,958,984	3,865,733	(2,093,251)
Recovered costs	-	9,120	9,120
Investment income	-	11,794	11,794
Total revenues	14,959,202	12,414,317	(2,544,885)
EXPENDITURES			
Public welfare	21,114,500	17,435,946	3,678,554
Capital outlay	139,306	139,306	-
Total expenditures	21,253,806	17,575,252	3,678,554
Deficiency of revenues under expenditures	(6,294,604)	(5,160,935)	1,133,669
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	5,934,448	5,934,448	-
Transfer to other funds	(940,616)	(950,934)	(10,318)
Total other financing sources (uses)	4,993,832	4,983,514	(10,318)
Net change in fund balance	(1,300,772)	(177,421)	1,123,351
Fund balance - beginning	6,994,141	6,994,141	-
Fund balance - ending	\$ 5,693,369	6,816,720	1,123,351

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund
 Schedule of Revenues, Expenditures and Other
 Financing Uses - Budget and Actual
 Year Ended June 30, 2013

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Restaurant food tax	\$	1,925,500	2,070,068	144,568
Lodging sales tax		553,500	532,471	(21,029)
Lodging flat tax		907,760	766,820	(140,940)
Revenues from use of property		240,000	239,685	(315)
Recovered costs		15,000	8,189	(6,811)
Investment income		-	5,563	5,563
Charges for services		477,987	396,674	(81,313)
Sale of food and beverages		1,514,935	1,217,302	(297,633)
Miscellaneous revenue		-	13,587	13,587
Total revenues		5,634,682	5,250,359	(384,323)
EXPENDITURES				
General government		4,743,902	3,785,484	958,418
Total expenditures		4,743,902	3,785,484	958,418
Excess (deficiency) of revenues over (under) expenditures				
		890,780	1,464,875	574,095
OTHER FINANCING USES				
Transfer to other funds		(1,000,000)	(1,005,563)	(5,563)
Total other financing uses		(1,000,000)	(1,005,563)	(5,563)
Net change in fund balance		(109,220)	459,312	568,532
Fund balance - beginning		2,965,699	2,965,699	-
Fund balance - ending	\$	2,856,479	3,425,011	568,532

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Chesapeake Juvenile Services Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,221,869	2,240,517	18,648
Recovered costs	1,456,350	1,465,168	8,818
Investment income	-	958	958
Charges for services	10,653	6,155	(4,498)
Total revenues	3,688,872	3,712,798	23,926
EXPENDITURES			
General government	5,598,356	5,502,535	95,821
Capital outlay	192,981	12,981	180,000
Total expenditures	5,791,337	5,515,516	275,821
Deficiency of revenues under expenditures	(2,102,465)	(1,802,718)	299,747
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,861,652	1,826,507	(35,145)
Transfer to the General Fund	(3,445)	(4,403)	(958)
Total other financing sources (uses)	1,858,207	1,822,104	(36,103)
Net change in fund balance	(244,258)	19,386	263,644
Fund balance - beginning	699,064	699,064	-
Fund balance - ending	\$ 454,806	718,450	263,644

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Interagency Consortium Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,111,834	1,866,541	(245,293)
Recovered costs	-	18,920	18,920
Investment income	-	1,218	1,218
Charges for services	-	90	90
Total revenues	2,111,834	1,886,769	(225,065)
EXPENDITURES			
Public welfare:			
Contract services	3,587,344	3,116,512	470,832
Administrative expenses	270,112	248,756	21,356
Total expenditures	3,857,456	3,365,268	492,188
Deficiency of revenues under expenditures	(1,745,622)	(1,478,499)	267,123
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,745,622	1,724,922	(20,700)
Transfer to the General Fund	-	(1,218)	(1,218)
Total other financing sources (uses)	1,745,622	1,723,704	(21,918)
Net change in fund balance	-	245,205	245,205
Fund balance - beginning	379,240	379,240	-
Fund balance - ending	\$ 379,240	624,445	245,205

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

E-911 Operations Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Communications sales tax	\$	4,947,998	4,947,998	-
Intergovernmental revenues from the Commonwealth of Virginia:				
Wireless E-911 service board		1,000,000	1,266,330	266,330
Investment income		-	2,270	2,270
Total revenues		5,947,998	6,216,598	268,600
EXPENDITURES				
Public safety		6,387,181	6,308,673	78,508
Capital outlay		211,475	90,694	120,781
Total expenditures		6,598,656	6,399,367	199,289
Deficiency of revenues under expenditures		(650,658)	(182,769)	467,889
OTHER FINANCING SOURCES (USES)				
Transfer to other funds		(5,074,243)	(5,076,512)	(2,269)
Total other financing sources (uses)		(5,074,243)	(5,076,512)	(2,269)
Net change in fund balance		(5,724,901)	(5,259,281)	465,620
Fund balance - beginning		6,727,391	6,727,391	-
Fund balance - ending	\$	1,002,490	1,468,110	465,620

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Parks and Recreation Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Revenues from use of property	\$ 127,440	111,268	(16,172)
Recovered costs	-	6,704	6,704
Investment income	-	2,205	2,205
Charges for services	1,072,100	1,002,093	(70,007)
Sale of food and beverages	14,100	12,576	(1,524)
Total revenues	1,213,640	1,134,846	(78,794)
EXPENDITURES			
Parks and recreation	2,594,615	2,277,157	317,458
Total expenditures	2,607,615	2,277,157	330,458
Deficiency of revenues under expenditures	(1,393,975)	(1,142,311)	251,664
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,334,195	1,221,533	(112,662)
Transfer to other funds	-	(2,205)	(2,205)
Total other financing sources (uses)	1,334,195	1,219,328	(114,867)
Net change in fund balance	(59,780)	77,017	136,797
Fund balance - beginning	834,497	834,497	-
Fund balance - ending	\$ 774,717	911,514	136,797

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Fee Supported Activities Fund
 Schedule of Revenues, Expenditures and Other
 Financing Sources (Uses) - Budget and Actual
 Year Ended June 30, 2013

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Recovered costs	\$ 15,439	13,680	(1,759)
Investment income	15,439	1,868	(13,571)
Charges for services	1,323,333	988,202	(335,131)
Total revenues	1,354,211	1,003,750	(350,461)
EXPENDITURES			
Public safety	1,401,507	970,993	430,514
Capital outlay	17,522	10,360	7,162
Total expenditures	1,419,029	981,353	437,676
Excess (deficiency) of revenues over (under) expenditures	(64,818)	22,397	87,215
OTHER FINANCING SOURCES (USES)			
Transfer to the General Fund	(250,000)	(251,868)	(1,868)
Total other financing sources (uses)	(250,000)	(251,868)	(1,868)
Net change in fund balance	(314,818)	(229,471)	85,347
Fund balance - beginning	1,328,048	1,328,048	-
Fund balance - ending	\$ 1,013,230	1,098,577	85,347

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Grants Fund, Community Development Fund, Open Space Agriculture Preservation Fund, Proffers Fund, and Housing Trust Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2013

		Revised Budget	Actual	Variance Positive (Negative)
Grants Fund				
Revenues				
Intergovernmental revenues:				
Commonwealth of Virginia	\$	3,471,280	2,689,307	(781,973)
Federal government		2,441,815	4,035,391	1,593,576
Federal government - American Reinvestment and Recovery Act		-	687,223	687,223
Recovered costs		74,046	-	(74,046)
Investment income		2,213	2,526	313
Charges for services		280,815	255,710	(25,105)
Miscellaneous revenues		334,909	251,490	(83,419)
Total revenues		6,605,078	7,921,647	1,316,569
Other financing sources				
Transfer from the General Fund		278,576	278,576	-
Transfer from other funds		234,551	208,381	(26,171)
Total other financing sources		513,127	486,957	(26,171)
Total revenues and other financing sources	\$	7,118,205	8,408,604	1,290,398
Community Development Fund				
Revenues				
Intergovernmental revenues from the Federal government:				
Community Development Block grant	\$	875,075	1,089,026	213,951
Home Rehabilitation program		150,000	1,056,305	906,305
Program income		89,314	69,815	(19,499)
Total revenues	\$	1,114,389	2,215,146	1,100,757
Open Space Agriculture Preservation Fund				
Revenues				
Current taxes on real property	\$	271,284	271,284	-
Revenue from use of property		-	35,200	35,200
Investment income			(84,436)	(84,436)
Total revenues	\$	271,284	222,048	(49,236)
Proffers Fund				
Revenues				
Miscellaneous revenues	\$	1,645,779	1,747,154	101,375
Other financing source - transfer from the General Fund		800,466	-	(800,466)
Total revenues and other financing sources	\$	2,446,245	1,747,154	(699,091)
Housing Trust Fund				
Revenues				
Investment income	\$	-	175	175
Total revenues	\$	-	175	175

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

Grants Fund
Schedule of Expenditures- Budget and Actual
Year Ended June 30, 2013

	Revised Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
EXPENDITURES					
General government	\$ 14,143,081	8,066,996	3,057,998	11,124,994	3,018,087
Public safety	13,260,882	7,807,115	2,260,697	10,067,812	3,193,070
Public works	97,532	36,086	36,546	72,632	24,900
Parks	997,027	535,644	78,922	614,566	382,461
Public welfare	5,434,875	4,544,638	349,016	4,893,654	541,221
Capital outlay	9,955,035	5,757,011	2,034,127	7,791,138	2,163,897
Subtotal	43,888,432	26,747,490	7,817,306	34,564,796	9,323,636
Less closed grants	10,641,208	9,779,897	88,777	9,868,674	772,534
Total expenditures - active grants	\$ 33,247,224	16,967,593	7,728,529	24,696,122	8,551,102

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Community Development Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2013

	Appropriations	Expenditures - Public Welfare			Unexpended Balance
		Prior Years	Current Year	Total	
HUD- Thirty:					
CDBG program grants	783,830	771,242	-	771,242	12,588
Section 108 debt service	467,679	469,263	-	469,263	(1,584)
HOME program grant	811,302	739,816	-	739,816	71,486
Total HUD-Thirty	2,062,811	1,980,321	-	1,980,321	82,490
HUD- Thirty-One:					
CDBG program grants	682,275	682,124	-	682,124	151
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	589,155	525,169	-	525,169	63,986
Total HUD-Thirty-One	1,651,430	1,587,293	-	1,587,293	64,137
HUD- Thirty-Two:					
CDBG Grants	793,405	763,152	-	763,152	30,253
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	555,628	555,628	-	555,628	-
Total HUD-Thirty-Two	1,729,033	1,698,780	-	1,698,780	30,253
HUD- Thirty-Three:					
CDBG Grants	1,081,529	1,053,472	-	1,053,472	28,057
Section 108 debt service	399,427	399,427	-	399,427	-
HOME program grant	792,184	754,917	-	754,917	37,267
Total HUD-Thirty-Three	2,273,140	2,207,816	-	2,207,816	65,324
HUD- Thirty-Four:					
CDBG Grants	790,825	768,022	-	768,022	22,803
Section 108 debt service	395,761	395,761	-	395,761	-
HOME program grant	490,901	396,984	-	396,984	93,917
Total HUD-Thirty-Four	1,677,487	1,560,767	-	1,560,767	116,720
HUD- Thirty-Five:					
CDBG Grants	751,730	728,333	15,042	743,375	8,355
Section 108 debt service	376,500	376,500	-	376,500	-
HOME program grant	522,144	408,427	305	408,732	113,412
Total HUD-Thirty-Five	1,650,374	1,513,260	15,347	1,528,607	121,767
HUD- Thirty-Six:					
CDBG Grants	1,511,923	854,218	360,210	1,214,428	297,495
Section 108 debt service	371,000	371,000	-	371,000	-
HOME program grant	2,068,540	1,378,068	674,695	2,052,763	15,777
Total HUD-Thirty-Six	3,951,463	2,603,286	1,034,905	3,638,191	313,272
HUD- Thirty-Seven:					
CDBG Grants	717,029	596,599	121,540	718,139	(1,110)
Section 108 debt service	340,848	223,592	-	223,592	117,256
HOME program grant	901,714	410,876	194,101	604,977	296,737
Total HUD-Thirty-Seven	1,959,591	1,231,067	315,641	1,546,708	412,883
HUD- Thirty-Eight:					
CDBG Grants	925,575	-	638,678	638,678	286,897
HOME program grant	405,547	-	130,357	130,357	275,190
Total HUD-Thirty-Eight	1,331,122	-	769,035	769,035	562,087
Total CDBG Grants:	8,038,121	6,217,162	1,135,470	7,352,632	685,489
Total Section 108 Debt Service	3,111,215	2,995,543	-	2,995,543	115,672
Total Home Grants	7,137,115	5,169,885	999,458	6,169,343	967,772
Total expenditures and encumbrances	\$ 18,286,451	14,382,590	2,134,928	16,517,518	1,768,933

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

Open Space Agriculture Preservation Fund
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013

		Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
EXPENDITURES - General government	\$	4,962,518	4,270,298	2,500	4,272,798	689,720
Total expenditures and encumbrances	\$	4,962,518	4,270,298	2,500	4,272,798	689,720

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Chesapeake
VIRGINIA

Internal Service Funds

Information Technology Fund – To account for the operation of the City's central information technology, including technology development and support, and radio and communications operations.

City Garage Fund – To account for the maintenance and repair of City-owned vehicles.

Self-Insurance Fund – To account for the City's self-insurance program.



CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Information Technology	City Garage	Self- Insurance	Total
ASSETS				
Current assets:				
Cash and temporary investments	\$ 7,030,934	5,672,730	21,766,364	34,470,028
Receivables:				
Accounts	74	87,642	-	87,716
Interest	-	-	98,532	98,532
Inventory of materials and supplies	-	343,314	-	343,314
Prepaid expenses	291,516	-	2,477,821	2,769,337
Total current assets	7,322,524	6,103,686	24,342,717	37,768,927
Noncurrent assets:				
Capital assets:				
Construction in progress	246,632	-	-	246,632
Buildings	507,072	159,095	20,930	687,097
Improvements other than buildings	12,912,298	170,179	-	13,082,477
Software, equipment and vehicles	17,435,146	81,030,237	265,990	98,731,373
Infrastructure	-	77,584	-	77,584
Less accumulated depreciation	(22,641,330)	(45,304,382)	(181,728)	(68,127,440)
Total capital assets, net of accumulated depreciation	8,459,818	36,132,713	105,192	44,697,723
Total noncurrent assets	8,459,818	36,132,713	105,192	44,697,723
Total assets	\$ 15,782,342	42,236,399	24,447,909	82,466,650
LIABILITIES AND NET POSITION				
Liabilities				
Current liabilities:				
Accounts payable	\$ 263,433	296,740	610,650	1,170,823
Accrued expenses and other liabilities	896	27,692	-	28,588
Current portion of accrued vacation, sick pay, and overtime leave	127,450	67,344	3,293	198,087
Current portion of liability for self-insurance losses	-	-	5,440,460	5,440,460
Total current liabilities	391,779	391,776	6,054,403	6,837,958
Noncurrent liabilities:				
Accrued vacation, sick pay, and overtime leave	193,260	102,118	4,993	300,371
Liability for self-insurance losses	-	-	21,592,955	21,592,955
Total noncurrent liabilities	193,260	102,118	21,597,948	21,893,326
Total liabilities	585,039	493,894	27,652,351	28,731,284
Net Position				
Net investment in capital assets	8,459,818	36,132,713	105,192	44,697,723
Unrestricted	6,737,485	5,609,792	(3,309,634)	9,037,643
Total net position	15,197,303	41,742,505	(3,204,442)	53,735,366
Total liabilities and net position	\$ 15,782,342	42,236,399	24,447,909	82,466,650

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2013

	Information Technology	City Garage	Self- Insurance	Total
OPERATING REVENUES				
Billings to departments	\$ 8,006,599	12,609,018	7,382,334	27,997,951
Billings to outside agencies & component units	895,981	1,612,857	-	2,508,838
Recovered costs	4,581	39,232	1,164,642	1,208,455
Total operating revenues	8,907,161	14,261,107	8,546,976	31,715,244
OPERATING EXPENSES				
Cost of materials billed	-	5,314,553	-	5,314,553
Purchases for resale	-	1,856,986	-	1,856,986
General and administrative	250,406	81,771	3,018	335,195
Other salaries and wages	2,945,398	1,522,621	144,474	4,612,493
Other fringe benefits	1,135,628	749,099	60,423	1,945,150
Self-insurance losses	-	-	4,812,141	4,812,141
Indemnity and medical claims	-	-	3,473,695	3,473,695
Other repairs and supplies	1,948,880	540,651	20,593	2,510,124
Equipment rental	358,401	6,604	2,098	367,103
Other contractual services	556,708	77,309	135,209	769,226
Depreciation and amortization	3,337,258	6,117,634	53,721	9,508,613
Insurance premiums	-	-	1,314,038	1,314,038
Total operating expenses	10,532,679	16,267,228	10,019,410	36,819,317
Operating income (loss)	(1,625,518)	(2,006,121)	(1,472,434)	(5,104,073)
NONOPERATING REVENUES (EXPENSES)				
Investment income	12,614	10,099	(80,764)	(58,051)
Interest expense	(169)	(1,400)	-	(1,569)
Gain on sale of equipment	-	211,640	-	211,640
Loss on sale of equipment	-	(341,138)	-	(341,138)
Total nonoperating revenues (expenses)	12,445	(120,799)	(80,764)	(189,118)
Income (loss) before transfers and contributions	(1,613,073)	(2,126,920)	(1,553,198)	(5,293,191)
Transfers in	31,742	13,254	2,501,561	2,546,557
Transfers out	(12,614)	(40,949)	-	(53,563)
Capital contributions	27,885	2,932,373	-	2,960,258
Increase (decrease) in net position	(1,566,060)	777,758	948,363	160,061
Total net position - beginning	16,763,363	40,964,747	(4,152,805)	53,575,305
Total net position - ending	\$ 15,197,303	41,742,505	(3,204,442)	53,735,366

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013

	Information Technology	City Garage	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 8,932,873	14,253,407	8,546,976	31,733,256
Payments to suppliers	(3,020,681)	(7,939,695)	(9,339,503)	(20,299,879)
Payments to employees	(4,083,189)	(2,261,470)	(213,647)	(6,558,306)
Net cash provided by (used in) operating activities	1,829,003	4,052,242	(1,006,174)	4,875,071
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	31,742	13,254	2,501,561	2,546,557
Transfers out	(12,614)	(40,949)	-	(53,563)
Net cash provided by (used in) noncapital financing activities	19,128	(27,695)	2,501,561	2,492,994
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(511,273)	(3,823,154)	-	(4,334,427)
Interest paid	(169)	(1,400)	-	(1,569)
Repayment of obligations under capital leases	(10,114)	(77,348)	-	(87,462)
Proceeds from sale of capital assets	-	413,354	-	413,354
Net cash used in capital and related financing activities	(521,556)	(3,488,548)	-	(4,010,104)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	12,614	10,099	(79,181)	(56,468)
Net cash provided by investing activities	12,614	10,099	(79,181)	(56,468)
Net increase (decrease) in cash and temporary investments	1,339,189	546,098	1,416,206	3,301,493
Cash and temporary investments beginning of year	5,691,745	5,126,632	20,350,158	31,168,535
Cash and temporary investments end of year	\$ 7,030,934	5,672,730	21,766,364	34,470,028

**Reconciliation of operating income (loss) to net cash
provided by (used in) operating activities:**

Operating income (loss)	\$ (1,625,518)	(2,006,121)	(1,472,434)	(5,104,073)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,337,258	6,117,634	53,721	9,508,613
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	25,712	(7,700)	-	18,012
Prepaid expenses	78,173		(1,532,762)	(1,454,589)
Inventory of materials and supplies	-	62,505	-	62,505
Accounts payable	29,320	(124,326)	602,000	506,994
Accrued expenses and other liabilities	(13,779)	(3,215)	(1,173)	(18,167)
Liability for self-insurance losses	-	-	1,352,051	1,352,051
Accrued vacation, sick pay, and overtime leave	(2,163)	13,465	(7,577)	3,725
Total adjustments	3,454,521	6,058,363	466,260	9,979,144
Net cash provided by (used in) operating activities	\$ 1,829,003	4,052,242	(1,006,174)	4,875,071

Supplemental information on significant noncash transactions:

Contributions of capital assets:

Information Technology	27,885	
City Garage		2,932,373

Fiduciary Fund

Agency Fund: Includes Special Welfare Fund – To account for the assets held by the City as an agent for children in foster care.



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CITY OF CHESAPEAKE, VIRGINIA***Schedule R***

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2013

	Balances at July 1, 2012	Additions	Deductions	Balances at June 30, 2013
ASSETS				
Cash and temporary investments	\$ 2,408	40,723	43,398	(267)
Total current assets	\$ 2,408	40,723	43,398	(267)
LIABILITIES				
Due to children under foster care	\$ 2,408	41,534	42,587	1,355
Total liabilities	\$ 2,408	41,534	42,587	1,355

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Chesapeake Public Schools Component Unit

Major Governmental funds

Schools General Fund – To account for the general operations of the School Board which is used to account for all of the financial resources, except those required to be accounted for in another fund.

Schools Food Services Fund– To account for the operations of the Schools' cafeterias.

Schools Textbooks Fund – To account for the operation of the School Textbook program.

Schools Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of the school plant (other than those financed by the other funds or the City).

Fiduciary Funds:

Schools Trust Fund – To account for assets accumulated to fund other postemployment benefit (OPEB) obligations of the Schools.

Schools Agency Fund – Includes the Student Activity Fund, which accounts for the student activity monies maintained on behalf of the students by the principals at each school



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-1

Balance Sheet – Governmental Funds
June 30, 2013

	General	Schools' Food Services	School Textbook	Capital Projects	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 45,116,157	2,730,737	8,292,151	-	56,139,045
Receivables	544,025	15,955	37,572	-	597,552
Due from federal government	17,033,702	342,241	-	-	17,375,943
Due from Commonwealth of Virginia	10,432,566	-	-	-	10,432,566
Inventory	1,504,982	390,056	-	-	1,895,038
Restricted cash and temporary investments	-	-	-	31,392,903	31,392,903
Total assets	\$ 74,631,432	3,478,989	8,329,723	31,392,903	117,833,047
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 37,869,663	406,514	-	4,270,367	42,546,544
Claims payable	5,434,077	-	-	-	5,434,077
Total liabilities	43,303,740	406,514	-	4,270,367	47,980,621
Deferred inflows of resources:					
Unavailable revenues - sales taxes	3,480,559	-	-	-	3,480,559
Total deferred inflows	3,480,559	-	-	-	3,480,559
Fund balances:					
Nonspendable:					
Inventory	1,504,982	390,056	-	-	1,895,038
Restricted:					
Capital Projects	-	-	-	27,122,536	27,122,536
Food services	-	2,682,419	-	-	2,682,419
School textbook	-	-	8,329,723	-	8,329,723
Future health, dental, worker's compensation	24,338,636	-	-	-	24,338,636
Technology	429,790	-	-	-	429,790
Instruction	511,721	-	-	-	511,721
Assigned to:					
Instruction	1,062,004	-	-	-	1,062,004
Total fund balances	27,847,133	3,072,475	8,329,723	27,122,536	66,371,867
Total liabilities, deferred inflows and fund balances	\$ 74,631,432	3,478,989	8,329,723	31,392,903	
Adjustments for the statement of net position:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					223,070,347
Long-term liabilities are not reported as liabilities in the governmental funds.					(54,153,493)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(278,016,277)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					(2,214)
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds.					3,480,559
Net position of governmental activities					\$ (39,249,211)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2013

	General	Schools' Food Services	Schools' Textbook	Capital Projects	Total Governmental Funds
REVENUES					
Intergovernmental:					
From City of Chesapeake	\$ 168,773,000	-	-	-	168,773,000
From Commonwealth of Virginia	204,066,021	251,910	-	-	204,317,931
From Federal government	27,979,170	7,295,544	-	-	35,274,714
Donated commodities from Federal government	-	882,407	-	-	882,407
Total intergovernmental	400,818,191	8,429,861	-	-	409,248,052
Charges for services	3,300,266	4,328,540	-	-	7,628,806
Interest	79,024	(11,609)	(21,861)	40,638	86,192
Miscellaneous	823,953	74,207	16,733	-	914,893
Total revenues	405,021,434	12,820,999	(5,128)	40,638	417,877,943
EXPENDITURES					
Education:					
Administration	7,961,686	-	-	-	7,961,686
Instruction	310,861,806	-	2,408,057	-	313,269,863
Attendance and health services	5,719,760	-	-	-	5,719,760
Pupil transportation	24,413,037	-	-	-	24,413,037
Operations and maintenance	41,178,223	-	-	-	41,178,223
School facilities services	606,667	-	-	-	606,667
School technology services	11,851,003	-	-	-	11,851,003
Total education	402,592,182	-	2,408,057	-	405,000,239
Food services	-	12,747,906	-	-	12,747,906
Debt service	1,792,152	-	-	-	1,792,152
Payment to primary government – return of interest income	79,024	-	-	40,638	119,662
Capital outlay	-	-	-	21,023,031	21,023,031
Total expenditures	404,463,358	12,747,906	2,408,057	21,063,669	440,682,990
Excess (deficiency) of revenues over (under) expenditures	558,076	73,093	(2,413,185)	(21,023,031)	(22,805,047)
Other financing sources (uses):					
Payment from primary government – proceeds of VPSA bonds	-	-	-	30,684,282	30,684,282
Payment from primary government for capital outlay	-	-	-	1,836,105	1,836,105
Total other financing sources (uses)	-	-	-	32,520,387	32,520,387
Net change in fund balances	558,076	73,093	(2,413,185)	11,497,356	9,715,340
Fund balances at beginning of year	26,633,678	3,003,969	10,742,908	15,625,180	56,005,735
Increase (decrease) in reserve for inventory	655,379	(4,587)	-	-	650,792
Fund balances at end of year	\$ 27,847,133	3,072,475	8,329,723	27,122,536	66,371,867

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2013

Adjustments for the statement of activities:

Net change in fund balance from previous page	\$ 9,715,340
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period.	15,694,129
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balances by the cost of the equipment sold.	(19,309)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,523,079
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues.	(49,908)
Because some sales taxes will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.	(435)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	650,792
Changes in net OPEB obligations are reported only in the statement of activities	(26,456,133)
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences liabilities incurred exceeded the amount used by \$794,129, pension liability incurred exceeded contributions made by \$1,390 and self insurance amount paid exceeded claims incurred by \$134,036.	(661,483)
Change in net position of governmental activities	\$ 396,072

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-3

Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2013

	Schools' OPEB	
	Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments	\$ -	5,612,909
Investments, at fair value		
Money market trust	9,427,243	-
Total assets	\$ 9,427,243	5,612,909
LIABILITIES AND NET POSITION		
Liabilities:		
Due to students	\$ -	5,612,909
Total liabilities	-	5,612,909
Net position:		
Held in trust for other postemployment benefits	9,427,243	-
Total net position	9,427,243	-
Total liabilities and net position	\$ 9,427,243	5,612,909

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-34

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2013

	Schools' OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer contributions	\$ 7,222,623
Plan member contributions	3,309,521
Total contributions	10,532,144
Net investment income:	
Net appreciation in the fair value of investments	888,895
Total investment income	888,895
Total additions	\$ 11,421,039
DEDUCTIONS	
Benefits	\$ 10,532,144
Administrative expenses	8,949
Total deductions	10,541,093
Change in net position	879,946
Net position at beginning of year	8,547,297
Net position at end of year	\$ 9,427,243

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-4

General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Intergovernmental:				
City of Chesapeake	\$ 171,438,112	171,438,112	168,773,000	(2,665,112)
Commonwealth of Virginia	209,369,348	206,479,436	204,066,021	(2,413,415)
Federal government	30,178,493	32,277,802	27,979,170	(4,298,632)
Charges for services	3,082,920	3,082,920	3,300,266	217,346
Interest	-	-	79,024	79,024
Miscellaneous	638,135	639,038	823,953	184,915
Total revenues	414,707,008	413,917,308	405,021,434	(8,895,874)
EXPENDITURES				
Education:				
Administration	7,845,955	7,989,604	7,961,686	(27,918)
Instruction	319,510,443	321,673,421	310,861,806	(10,811,615)
Attendance and health services	5,721,432	5,713,492	5,719,760	6,268
Pupil transportation	23,690,851	24,382,314	24,413,037	30,723
Operations and maintenance	41,933,314	41,483,369	41,178,223	(305,146)
School facilities services	624,566	609,566	606,667	(2,899)
School technology services	13,588,295	12,501,184	11,851,003	(650,181)
Capital Outlay	—	—	—	-
Total education	412,914,856	414,352,950	402,592,182	(11,760,768)
Debt service:				
Principal	1,523,079	1,523,079	1,523,079	-
Interest	269,073	269,073	269,073	-
Total debt service	1,792,152	1,792,152	1,792,152	-
Payment to primary government – return of interest income	-	-	79,024	79,024
Total expenditures	414,707,008	416,145,102	404,463,358	(11,681,744)
Total revenues over (under) expenditures	\$ -	(2,227,794)	558,076	2,785,870
Fund balance at beginning of year			26,633,678	
Increase in reserve for inventory			655,379	
Fund balance at end of year			<u>\$ 27,847,133</u>	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-5

Schools' Food Services Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Intergovernmental:				
Commonwealth of Virginia	\$ 156,000	156,000	251,910	95,910
Federal government	6,316,000	6,316,000	7,295,544	979,544
Charges for services	6,591,000	6,591,000	4,328,540	(2,262,460)
Interest	5,509	5,509	(11,609)	(17,118)
Miscellaneous	65,000	65,000	74,207	9,207
Total revenues	13,133,509	13,133,509	11,938,592	(1,194,917)
EXPENDITURES				
Operating costs:				
Purchases for resale	4,772,500	4,528,976	4,085,489	(443,487)
Food service salaries and fringe benefits	6,723,502	6,723,502	6,308,837	(414,665)
General and administrative	1,353,757	1,596,609	1,266,712	(329,897)
Other repairs and supplies	260,500	262,000	190,854	(71,146)
Capital outlay	10,000	10,952	642	(10,310)
Other expenditures	13,250	13,250	12,965	(285)
Total expenditures	13,133,509	13,135,289	11,865,499	(1,269,790)
Total revenues over (under) expenditures	\$ -	(1,780)	73,093	74,873
Fund balance at beginning of year			3,003,969	
Decrease in reserve for inventory			(4,587)	
Fund balance at end of year			<u>\$ 3,072,475</u>	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-6

School Textbook Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Interest	\$ 35,000	35,000	(21,861)	(56,861)
Miscellaneous	5,000	5,000	16,733	11,733
Total revenues	40,000	40,000	(5,128)	(45,128)
EXPENDITURES				
Instruction:				
Textbooks	5,466,460	5,466,460	2,066,676	(3,399,784)
Expendable workbooks	10,000	45,637	341,381	295,744
Total expenditures	5,476,460	5,512,097	2,408,057	(3,104,040)
Total revenues over (under) expenditures	\$ (5,436,460)	(5,472,097)	(2,413,185)	3,058,912
Fund balance at beginning of year			10,742,908	
Fund balance at end of year			<u>\$ 8,329,723</u>	

Other Component Units

Other Component Units – Include the Chesapeake Mosquito Control Commission and the Chesapeake Port Authority.



CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Position
 Other Component Units
 June 30, 2013

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 4,355,766	8,379
Intergovernmental revenues due from:		
Commonwealth of Virginia	10,452	-
Inventory of materials and supplies	249,648	-
Total current assets	4,615,866	8,379
Total assets	\$ 4,615,866	8,379
LIABILITIES AND NET POSITION		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 108,185	-
Total current liabilities	108,185	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	108,185	944,407
Fund Balance		
Nonspendable:		
Inventory	249,648	-
Committed:		
Biology testing	12,998	-
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	2,151,307	-
Net Position		
Unrestricted	-	(936,028)
Total fund balance and net position	4,507,681	(936,028)
Total liabilities, fund balance, and net position	\$ 4,615,866	8,379
Reconciliation to Net Position:		
Total fund balance	\$ 4,507,681	
Capital assets - net of depreciation	3,026,373	
Net Position	\$ 7,534,054	

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Chesapeake Mosquito Control Commission
 Year Ended June 30, 2013

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 3,814,102
Investment income	14,654
Other	42,886
Total revenues	3,871,642
EXPENDITURES	
Other salaries and wages	1,847,000
Other fringe benefits	782,327
Other repairs and supplies	860,466
Other postemployment benefits	86,813
Insurance premiums	349,558
Capital outlay	393,772
Other	339,171
Total expenditures	4,659,107
Deficiency of revenues under expenditures	(787,465)
Fund balance - beginning	5,295,146
Fund balance - ending	\$ 4,507,681

Reconciliation to Change in Net Position:

Governmental funds report capital outlay as expenditures. However, when reporting net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Net change in fund balance	\$ (787,465)
Depreciation expense	(216,004)
Capital outlay expenditures	393,772
Transfer to GFAAG	(39,429)
Change in Net Position	\$ (649,126)

CITY OF CHESAPEAKE, VIRGINIA**Schedule T-3**

Statement of Revenue, Expenditures, and Changes in Net Position
Chesapeake Port Authority
Year Ended June 30, 2013

	Chesapeake Port Authority
OPERATING REVENUE	
Other income	\$ 39,400
Total operating revenues	39,400
OPERATING EXPENSES	
General and administrative	11,687
Other expenses	38,500
Total operating expenditures	50,187
Operating loss	(10,787)
NONOPERATING REVENUES	
Appropriations from the City	10,987
Total nonoperating revenues	10,987
Increase (decrease) in net position	200
Net position - beginning	(936,228)
Net position - ending	\$ (936,028)

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-4

Statement of Cash Flows
Chesapeake Port Authority
Year Ended June 30, 2013

	Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES	
Cash received from customers and users	\$ 33,131
Payments to suppliers	(50,187)
Net cash provided by operating activities	(17,056)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	10,987
Net increase in cash and temporary investments	(6,069)
Cash and temporary investments beginning of year	14,448
Cash and temporary investments end of year	\$ 8,379
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (10,787)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts payable	(6,269)
Total adjustments	(6,269)
Net cash used in operating activities	\$ (17,056)

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STATISTICAL SECTION

This part of the City of Chesapeake's Comprehensive Annual Financial Report presents detailed information as a context for understanding how the information in the financial statements, note disclosures, and required supplementary information depict the government's overall financial health.

Financial Trends – These schedules contain information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.



CITY OF CHESAPEAKE, VIRGINIA

Net Position by Component
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2004	2005	2006	2007
Governmental Activities				
Net investment in capital assets	\$ 563,288,318	588,733,474	649,736,620	666,474,648
Restricted for:				
Capital projects	11,735,419	9,684,866	6,604,716	8,818,429
Debt service	15,699,358	10,976,974	7,585,894	9,498,240
Other purposes:				
Expendable	5,947,315	1,270,039	32,080,786	39,740,870
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	104,355,168	158,375,919	175,198,047	193,675,640
Total business-type activities net position	\$ 701,038,373	769,054,067	871,218,858	918,220,622
Business-Type Activities				
Net investment in capital assets	\$ 228,068,375	249,688,287	254,349,571	263,256,688
Restricted for:				
Capital projects	2,636,724	2,061,689	3,260,963	3,053,741
Debt service	6,789,536	5,710,688	5,532,370	4,987,244
Other purposes:				
Expendable	51,110,767	38,493,631	46,287,418	55,711,887
Unrestricted	1,169,678	1,986,705	1,619,932	2,492,078
Total business-type activities net position	\$ 289,775,080	297,941,000	311,050,254	329,501,638
Primary Government				
Net investment in capital assets	\$ 791,356,693	838,421,761	904,086,191	929,731,336
Restricted for:				
Capital projects	14,372,143	11,746,555	9,865,679	11,872,170
Debt service	22,488,894	16,687,662	13,118,264	14,485,484
Other purposes:				
Expendable	57,058,082	39,763,670	78,368,204	95,452,757
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	105,524,846	160,362,624	176,817,979	196,167,718
Total primary government net position	\$ 990,813,453	1,066,995,067	1,182,269,112	1,247,722,260
Component Units				
Net investment in capital assets	\$ 72,780,433	76,186,297	84,249,220	97,490,222
Restricted for:				
Capital projects	8,533,984	6,602,465	5,669,625	32,955,766
Other purposes:				
Expendable	1,866,409	-	-	-
Unrestricted	(13,647,190)	(10,102,135)	(13,520,512)	(8,265,134)
Total component units net position	\$ 69,533,636	72,686,627	76,398,333	122,180,854

Table 1

Fiscal Years					
2008	2009	2010	2011	2012	2013
684,361,590	701,163,988	711,456,653	735,161,026	762,765,688	715,309,724
8,353,966	6,797,052	6,733,774	7,208,270	7,541,231	7,945,218
6,836,388	7,032,992	5,977,598	5,585,278	2,974,020	3,051,674
44,031,261	48,053,608	61,966,212	64,874,383	66,019,778	65,320,915
12,795	12,795	12,795	12,795	12,795	12,795
199,553,990	186,150,360	172,115,671	197,640,231	180,953,477	194,955,789
943,149,990	949,210,795	958,262,703	1,010,481,983	1,020,266,989	986,596,115
275,037,856	287,074,512	274,620,304	282,334,648	286,255,165	338,956,191
2,919,414	3,110,328	1,421,019	2,969,658	1,765,682	4,909,101
4,995,386	6,095,925	8,400,300	11,051,969	10,331,849	40,167,626
66,957,564	71,224,863	90,743,786	99,837,905	116,409,613	112,058,449
1,956,411	1,161,632	(1,229,016)	(1,185,861)	(1,543,594)	(1,170,944)
351,866,631	368,667,260	373,956,393	395,008,319	413,218,715	494,920,423
959,399,446	988,238,500	986,076,957	1,017,495,674	1,049,020,853	1,054,265,915
11,273,380	9,907,380	8,154,793	10,177,928	9,306,913	12,854,319
11,831,774	13,128,917	14,377,898	16,637,247	13,305,869	43,219,300
95,452,179	119,278,471	152,709,998	164,712,288	182,429,391	177,379,364
12,795	12,795	12,795	12,795	12,795	12,795
201,510,401	187,311,992	170,886,655	196,454,370	179,409,883	193,784,845
1,279,479,975	1,317,878,055	1,332,219,096	1,405,490,302	1,433,485,704	1,481,516,538
124,861,846	144,813,085	155,905,524	177,640,500	218,780,868	226,212,630
23,851,420	36,422,441	44,293,952	22,133,039	15,625,180	27,122,536
2,010,154	1,994,027	2,334,502	1,234,356	38,848,921	36,950,588
(52,681,911)	(91,627,322)	(143,537,497)	(189,089,275)	(286,045,269)	(303,617,981)
98,041,509	91,602,231	58,996,481	11,918,620	(12,790,300)	(13,332,227)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2004	2005	2006	2007
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 12,610,106	12,691,638	11,164,814	11,622,631
Public safety	4,487,073	5,140,050	5,975,514	6,128,427
Public works	1,266,418	1,379,049	1,331,973	1,285,196
Parks	133,233	174,071	74,469	74,480
Public welfare	2,235,788	2,121,147	2,635,982	2,715,215
Operating grants and contributions	88,508,739	77,669,726	90,120,716	91,298,815
Capital grants and contributions	18,544,379	35,617,170	27,830,644	13,814,033
Total governmental activities program revenues	\$ 127,785,736	134,792,851	139,134,112	126,938,797
Business-type activities:				
Charges for Services:				
Public Utilities	\$ 39,898,644	39,725,069	42,572,239	47,743,685
Chesapeake Expressway	6,678,718	6,911,794	7,074,711	7,375,691
Stormwater Management	4,532,744	4,600,299	4,713,008	6,645,062
Northwest River Park	102,271	138,998	128,933	120,954
Jordan Bridge	1,089,250	1,649,017	1,538,705	1,591,275
Recreation	570,169	630,819	694,222	711,779
Operating grants and contributions	997,162	1,248,956	1,858,181	2,878,949
Capital grants and contributions	5,959,652	8,134,879	10,928,051	13,419,662
Total business-type program revenues	\$ 59,828,610	63,039,831	69,508,050	80,487,057
Total primary government program revenues	\$ 187,614,346	197,832,682	208,642,162	207,425,854
Component Units				
Charges for Services:				
Public Schools	\$ 7,536,856	7,287,354	7,870,493	8,398,845
Chesapeake Port Authority	-	-	-	-
Chesapeake Airport Authority	273,697	278,615	361,632	371,644
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Operating grants and contributions	55,723,417	67,183,629	76,851,214	86,696,917
Capital grants and contributions	2,216,117	2,181,385	1,343,384	1,922,839
Total component unit program revenues	\$ 65,750,087	76,930,983	86,426,723	97,390,245
Total primary government and component units program revenues	\$ 253,364,433	274,763,665	295,068,885	304,816,099

Table 2

Fiscal Years					
2008	2009	2010	2011	2012	2013
11,413,581	15,214,785	14,634,265	15,176,526	15,655,753	19,070,413
6,025,679	5,749,819	6,066,443	7,170,555	8,004,960	4,552,411
1,460,197	1,661,573	2,533,979	1,819,486	572,422	491,789
79,588	1,040,947	1,058,795	1,203,236	1,185,891	1,119,617
3,466,956	3,240,175	3,758,146	3,907,048	3,634,765	3,876,330
99,583,775	94,712,370	93,882,445	112,543,495	114,361,618	95,148,851
11,219,370	21,872,574	10,319,478	2,840,507	2,971,533	7,941,256
133,249,146	143,492,243	132,253,551	144,660,853	146,386,942	132,200,667
52,591,554	56,097,409	55,733,051	66,688,401	63,871,301	59,999,277
7,217,160	6,910,173	7,097,481	8,151,134	10,488,113	10,310,889
10,580,469	13,036,755	14,194,442	14,767,660	14,833,052	14,973,046
108,187	-	-	-	-	-
1,501,230	527,523	-	-	-	-
716,131	-	-	-	-	-
2,591,258	1,871,101	1,145,292	1,185,967	1,309,146	1,501,314
15,845,647	10,661,753	3,597,675	3,102,397	2,662,708	32,250,518
91,151,636	89,104,714	81,767,941	93,895,559	93,164,320	119,035,044
224,400,782	232,596,957	214,021,492	238,556,412	239,551,262	251,235,711
8,227,885	7,426,524	7,245,368	7,243,389	7,097,754	7,628,806
-	-	-	38,550	36,210	39,400
391,022	394,838	431,858	435,781	424,813	434,049
64,151	78,675	88,050	96,100	100,730	97,283
87,790,467	85,261,245	89,515,940	100,528,447	112,735,654	93,629,158
1,907,684	1,895,524	955,420	1,125,139	1,541,294	1,204,851
98,381,209	95,056,806	98,236,636	109,467,406	121,936,455	103,033,547
322,781,991	327,653,763	312,258,128	348,023,818	361,487,717	354,269,258

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 107,595,440	102,155,781	101,278,295	117,954,878
Public safety	73,556,936	71,944,068	77,947,397	82,617,025
Public works	36,681,770	40,171,186	40,314,100	44,270,405
Parks	8,871,362	4,040,492	6,417,776	6,747,501
Public welfare	33,963,274	37,546,666	38,702,645	40,178,450
Education	134,528,877	143,874,317	157,328,449	209,181,274
Interest on long term debt	21,435,242	19,215,361	19,785,611	20,504,113
Depreciation and amortization - net unallocated portion	20,634,855	21,051,803	21,445,311	22,485,199
Total governmental activities	\$ 437,267,756	439,999,674	463,219,584	543,938,845
Business-type activities:				
Public Utilities	\$ 38,593,511	39,964,142	41,565,116	45,326,237
Chesapeake Expressway	8,730,072	8,822,878	9,353,137	10,069,048
Stormwater Management	3,391,274	3,578,748	3,244,651	3,504,445
Northwest River Park	83,006	103,767	110,101	108,625
Jordan Bridge	1,260,395	1,111,030	1,082,663	1,149,121
Recreation	537,006	629,371	665,589	666,376
Total business-type activities	\$ 52,595,264	54,209,936	56,021,257	60,823,852
Total primary government	\$ 489,863,020	494,209,610	519,240,841	604,762,697
Component units				
Public Schools	\$ 317,127,950	348,832,222	374,191,792	413,008,600
Chesapeake Mosquito Control Commission	3,593,597	3,606,347	4,137,568	4,558,222
Economic Development Authority	3,147,811	2,760,873	5,105,041	5,120,015
Chesapeake Port Authority	400	2,000	12,984	14,672
Chesapeake Airport Authority	1,173,685	1,151,836	1,202,651	1,421,866
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Total component units	\$ 325,043,443	356,353,278	384,650,036	424,123,375
Net (Expense)/Revenue				
Governmental activities	\$ (309,482,020)	(305,206,823)	(324,085,472)	(417,000,048)
Business-type activities	7,233,346	8,829,895	13,486,793	19,663,205
Total primary government net expense	\$ (302,248,674)	(296,376,928)	(310,598,679)	(397,336,843)
Total component units net expense	\$ (259,293,356)	(279,422,295)	(298,223,313)	(326,733,130)

Table 2, Continued

Fiscal Years					
2008	2009	2010	2011	2012	2013
135,964,547	143,489,932	143,639,154	138,721,838	144,974,198	149,330,767
93,861,996	91,889,008	87,113,239	90,494,294	100,787,254	83,454,031
52,669,486	47,649,415	48,092,037	40,170,140	47,637,435	40,647,017
7,553,891	9,066,099	7,795,681	8,344,251	7,804,170	9,693,509
43,104,880	44,005,141	42,497,064	44,417,008	44,804,508	40,991,944
212,504,699	226,520,024	213,633,155	179,064,673	203,047,686	208,985,915
20,048,717	18,948,390	19,234,044	19,801,226	17,885,365	15,821,682
22,321,802	22,760,633	22,734,730	21,783,568	20,169,069	19,429,215
588,030,018	604,328,642	584,739,104	542,796,998	587,109,685	568,354,080
49,066,651	51,901,055	53,143,253	54,051,300	56,133,023	54,559,573
9,353,126	9,945,582	11,183,690	9,728,730	10,587,608	11,981,231
6,200,482	7,140,754	8,838,137	8,903,174	7,761,421	9,256,065
114,018	-	-	-	-	-
1,368,308	2,074,693	181,365	-	-	-
681,384	-	-	-	-	-
66,783,969	71,062,084	73,346,445	72,683,204	74,482,052	75,796,869
654,813,988	675,390,726	658,085,549	615,480,202	661,591,737	644,150,949
495,669,077	500,750,043	486,073,626	474,747,371	472,886,416	449,879,147
4,595,989	4,833,609	4,717,522	4,087,128	4,630,205	4,520,768
3,529,822	2,380,983	2,232,533	1,521,383	2,364,300	883,000
15,404	12,479	8,619	38,752	44,866	50,187
1,295,891	1,396,948	1,656,760	1,297,329	1,324,282	1,285,463
70,361	107,633	110,503	116,800	145,536	188,512
505,176,544	509,481,695	494,799,563	481,808,763	481,395,605	456,807,077
(454,780,872)	(460,836,399)	(452,485,553)	(398,136,145)	(440,722,743)	(436,153,413)
24,367,667	18,042,630	8,421,496	21,212,355	18,682,268	43,238,175
(430,413,205)	(442,793,769)	(444,064,057)	(376,923,790)	(422,040,475)	(392,915,238)
(406,795,335)	(414,424,889)	(396,562,927)	(372,341,357)	(359,459,150)	(353,773,530)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2004	2005	2006	2007
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 205,187,258	224,842,486	260,070,410	290,780,794
Other local taxes	n/a	n/a	n/a	n/a
Public service taxes	n/a	n/a	n/a	n/a
Sales taxes	n/a	n/a	n/a	n/a
Local sales and use taxes	29,744,620	31,989,281	34,355,722	35,952,042
Business license taxes	19,351,581	21,461,924	23,853,491	24,170,737
Consumer utility taxes	19,820,181	20,087,144	20,203,462	21,166,147
Other taxes	33,974,457	38,078,922	41,289,606	41,880,370
Grants and contributions not restricted to specific programs	29,354,088	31,790,594	33,769,560	32,178,481
Unrestricted investment earnings	1,307,168	3,132,655	8,312,030	13,435,389
Miscellaneous	255,430	990,374	3,906,011	3,101,211
Transfers	402,772	849,137	489,971	1,336,063
Total general activities revenues & transfers	<u>\$ 339,397,555</u>	<u>373,222,517</u>	<u>426,250,263</u>	<u>464,001,234</u>
Business-type activities:				
Unrestricted investment earnings	\$ 61,521	185,162	112,432	124,242
Transfers	(402,772)	(849,137)	(489,971)	(1,336,063)
Total business-type activities revenues & transfers	<u>\$ (341,251)</u>	<u>(663,975)</u>	<u>(377,539)</u>	<u>(1,211,821)</u>
Total primary government revenues & transfers	<u>\$ 339,056,304</u>	<u>372,558,542</u>	<u>425,872,724</u>	<u>462,789,413</u>
Component Units:				
Payment from City	\$ 126,876,092	136,398,571	150,652,116	202,519,335
Grants and contributions not restricted to specific programs	132,018,587	145,451,853	149,142,199	166,996,775
Unrestricted investment earnings	9,668	73,136	1,204,100	2,410,518
Miscellaneous	1,700,426	651,726	936,605	589,023
Total component units	<u>\$ 260,604,773</u>	<u>282,575,286</u>	<u>301,935,020</u>	<u>372,515,651</u>
Change in Net Position				
Governmental activities	\$ 29,915,535	68,015,694	102,164,791	47,001,186
Business-type activities	6,892,095	8,165,920	13,109,254	18,451,384
Total primary government net change in net position	<u>\$ 36,807,630</u>	<u>76,181,614</u>	<u>115,274,045</u>	<u>65,452,570</u>
Total component units net change in net position	<u>\$ 1,311,417</u>	<u>3,152,991</u>	<u>3,711,707</u>	<u>45,782,521</u>

Table 2, Continued

Fiscal Years					
2008	2009	2010	2011	2012	2013
306,455,101	308,040,890	307,213,245	298,873,974	293,799,799	288,743,868
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
35,091,242	32,772,077	31,888,444	32,065,910	33,751,538	34,451,337
24,381,697	23,960,628	22,022,114	23,030,916	24,752,986	24,268,792
23,556,638	10,016,340	10,115,683	10,312,035	10,027,978	10,258,697
41,183,079	47,569,929	48,297,304	49,341,676	50,533,368	50,956,443
31,527,350	31,439,703	31,520,409	31,510,142	31,646,114	31,739,924
11,268,317	7,444,350	3,881,599	2,281,828	2,400,850	162,669
4,103,726	3,516,856	3,465,033	2,778,515	3,123,243	2,961,604
2,143,668	370,150	3,133,630	160,429	471,873	5,295,381
479,710,818	465,130,923	461,537,461	450,355,425	450,507,749	448,838,715
140,994	64,430	1,269	-	-	-
(2,143,668)	(370,150)	(3,133,630)	(160,429)	(471,873)	(5,295,381)
(2,002,674)	(305,720)	(3,132,361)	(160,429)	(471,873)	(5,295,381)
477,708,144	464,825,203	458,405,100	450,194,996	450,035,876	443,543,334
204,566,937	218,635,536	205,717,540	171,309,720	195,333,708	201,293,387
170,014,139	183,774,094	155,771,193	152,297,184	137,894,439	151,059,807
4,065,837	1,764,666	1,105,263	591,149	333,931	86,192
2,747,274	3,811,315	1,363,181	1,065,443	1,188,152	792,217
381,394,187	407,985,611	363,957,177	325,263,496	334,750,230	353,231,603
24,929,946	4,294,524	9,051,908	52,219,280	9,785,006	12,685,302
22,364,993	17,736,910	5,289,135	21,051,926	18,210,395	37,942,794
47,294,939	22,031,434	14,341,043	73,271,206	27,995,401	50,628,096
(25,401,148)	(6,439,278)	(32,605,750)	(47,077,861)	(24,708,920)	(541,927)

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CITY OF CHESAPEAKE, VIRGINIA

Table 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2004	2005	2006	2007	2008
General Fund					
Reserved:					
Expendable	\$ 7,540,096	11,689,066	19,163,556	43,175,202	31,281,093
Unreserved:					
Designated for cash flow emergencies	24,111,563	25,590,428	28,188,802	31,444,789	33,669,622
Designated for operating emergencies	16,785,980	17,355,561	23,490,669	26,203,990	28,058,018
Designated - General Fund	834,642	1,772,905	2,073,599	1,780,871	5,204,852
Undesignated	22,218,033	44,393,697	77,023,045	45,750,452	31,569,781
Total general fund	71,490,314	100,801,657	149,939,671	148,355,304	129,783,366
All Other Governmental Funds ¹					
Reserved:					
Expendable	36,369,243	79,765,826	66,586,197	43,720,331	38,004,007
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	22,098,361	22,935,812	27,015,545	35,722,093	35,555,537
Designated for construction projects	18,756,584	-	-	-	-
Designated - Special Revenue Funds	6,687,149	62,553	51,796	51,749	851,749
Undesignated - Capital Projects Fund	-	(10,387,836)	8,110,323	32,148,580	44,612,739
Undesignated - Special Revenue Funds	9,205,815	12,823,816	16,361,382	26,987,225	34,948,104
Undesignated - Permanent Funds	137,962	141,235	146,589	154,274	162,274
Total all other governmental funds	93,267,909	105,354,201	118,284,627	138,797,047	154,147,205
Total Governmental Funds	\$ 164,758,223	206,155,858	268,224,298	287,152,351	283,930,571

	Fiscal Years				
	2009	2010	2011	2012	2013
General Fund					
Nonspendable	-	-	1,215,836	1,128,589	1,173,244
Restricted for cash flow emergencies	-	-	30,710,709	30,923,382	30,923,382
Restricted other	-	-	3,758,367	1,011,910	833,686
Committed for operating emergencies	-	-	25,592,084	25,769,311	25,769,311
Committed for emergency event response and recovery	-	-	20,000,000	20,000,000	20,000,000
Committed other	-	-	28,300,785	21,354,919	19,799,695
Assigned	-	-	9,217,166	1,288,513	4,364,542
Unassigned	-	-	19,406,510	33,445,706	40,797,644
Reserved:					
Expendable	\$ 33,004,234	25,528,781	-	-	-
Unreserved:					
Designated for cash flow emergencies	34,270,058	32,100,281	-	-	-
Designated for operating emergencies	28,558,382	26,783,568	-	-	-
Designated - General Fund	2,368,429	3,900,779	-	-	-
Undesignated	35,792,674	41,699,790	-	-	-
Total general fund	133,993,777	130,013,199	138,201,457	134,922,330	143,661,504
All Other Governmental Funds ¹					
Nonspendable	-	-	232,310	215,768	203,387
Restricted	-	-	43,324,930	38,624,448	34,357,794
Committed	-	-	37,283,577	35,592,442	27,181,725
Assigned	-	-	131,466,032	108,523,321	116,794,758
Unassigned	-	-	(30,855)	(21,229)	(146,211)
Reserved:					
Expendable	20,143,495	48,617,453	-	-	-
Nonexpendable	12,795	12,795	-	-	-
Unreserved:					
Designated for debt service	36,159,745	38,282,537	-	-	-
Designated for construction projects	-	-	-	-	-
Designated - Special Revenue Funds	1,540,435	3,100,225	-	-	-
Undesignated - Capital Projects Fund	79,240,620	26,962,867	-	-	-
Undesignated - Special Revenue Funds	42,318,106	58,467,663	-	-	-
Undesignated - Permanent Funds	167,099	171,038	-	-	-
Total all other governmental funds	179,582,295	175,614,578	212,275,994	182,934,750	178,391,453
Total Governmental Funds	\$ 313,576,072	305,627,777	350,477,451	317,857,080	322,052,957

¹ Total Governmental Funds Expendable minus General Fund expendable.

CITY OF CHESAPEAKE, VIRGINIA

Statement of Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years - Unaudited

		2004	2005	2006	2007
REVENUES					
General property taxes	\$	203,503,495	224,815,562	254,570,961	287,428,178
Other local taxes		102,890,839	111,617,271	115,380,212	117,811,881
Licenses, permits, and fees		2,495,770	2,900,145	7,422,144	8,267,568
Fines and forfeitures		2,440,972	2,929,501	3,587,702	3,284,658
Investment income		1,363,374	3,361,642	7,628,030	12,277,373
Revenues from use of property		428,172	402,355	692,489	752,247
Charges for services		12,026,360	12,586,752	13,094,005	14,430,213
Miscellaneous local revenues		394,904	701,593	1,181,755	2,111,967
Recovered costs		4,087,899	3,522,595	3,039,786	2,235,212
Program income		284,699	172,643	179,969	196,657
Revenues from local developers		1,011,455	1,737,131	2,360,155	1,539,730
Intergovernmental revenues:					
Commonwealth of Virginia		89,547,556	91,882,899	99,075,408	101,746,899
Federal government		29,013,323	17,469,444	19,257,416	16,213,096
Federal government - American Reinvestment and Recovery Act		-	-	-	-
Mosquito Control Commission		-	-	300,000	300,000
Chesapeake Public Schools		1,318,184	2,252,275	3,461,393	3,050,079
Total revenues	\$	450,807,002	476,351,808	531,231,425	571,645,758
EXPENDITURES					
Current:					
General government	\$	105,434,018	96,583,251	99,715,504	104,994,583
Public safety		65,491,774	70,474,672	76,643,995	83,176,840
Public works		38,461,949	41,022,326	42,423,515	47,655,696
Parks		8,741,202	3,932,120	6,373,828	6,910,347
Public welfare		33,987,999	37,357,981	37,860,700	39,744,863
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.					
Education - Payments to Public Schools		127,774,672	137,190,122	150,652,116	202,519,335
General government - Payments to Mosquito Control Commission		-	-	-	-
Capital outlay		15,599,421	34,960,257	51,450,380	44,627,098
Debt service:					
Principal		25,577,280	26,854,851	29,135,993	30,420,147
Interest		21,393,424	19,760,635	19,369,437	21,508,440
Total expenditures		442,461,739	468,136,215	513,625,468	581,557,349
Excess (deficiency) of revenues over (under) expenditures	\$	8,345,263	8,215,593	17,605,957	(9,911,591)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	\$	65,857,985	68,380,647	70,582,784	110,177,288
Proceeds from equipment capital leases		-	-	531,918	-
Lease revenue bond issued		4,940,000	-	-	-
Section 108 loan funds		720,000	-	-	-
General obligation bonds issued		-	13,815,000	15,865,000	-
General obligation refunding bonds issued		62,920,000	-	-	-
Transfers to other funds		(66,899,055)	(68,917,222)	(70,584,457)	(110,345,316)
Payment to refunded bond escrow agent		(70,300,043)	(913,530)	-	-
Premiums on general obligation bonds issued		-	394,743	59,276	-
Premiums on refunding bonds issued		7,794,630	-	-	-
VPSA bond proceeds		-	19,275,000	26,935,000	28,080,000
Premiums on VPSA bonds		-	1,147,404	1,072,963	927,672
Total other financing sources (uses)		5,033,517	33,182,042	44,462,484	28,839,644
Net change in fund balances	\$	13,378,780	41,397,635	62,068,441	18,928,053
Debt service as a percentage of noncapital expenditures ¹		11.00%	10.76%	10.50%	9.67%

¹ Debt service as a percentage of noncapital expenditures is calculated as follows:
(debt service payments (principal and interest) / total expenditures less capital outlay expenditures)

Table 4

Fiscal Years					
2008	2009	2010	2011	2012	2013
303,752,471	305,829,730	304,947,151	296,632,594	293,402,936	290,256,858
118,584,264	114,318,974	112,323,545	114,750,537	119,065,871	119,935,269
8,320,450	7,803,173	7,575,603	7,972,072	8,307,084	8,091,767
3,571,138	2,335,259	2,028,178	2,261,473	2,675,066	3,000,462
10,159,705	6,904,289	3,591,409	2,050,170	2,252,138	220,723
821,971	848,257	804,015	778,597	898,374	895,198
15,356,589	16,237,073	18,153,264	18,828,633	17,862,425	17,754,480
2,579,045	4,352,154	3,173,343	1,794,641	2,129,706	2,400,427
2,452,331	2,548,192	2,272,195	1,809,704	2,036,718	1,736,917
140,431	277,191	206,739	124,629	158,692	69,815
1,088,464	705,995	831,779	412,363	585,076	669,054
106,204,101	101,886,059	95,205,573	103,376,371	106,086,317	103,681,099
19,646,487	17,117,982	19,485,307	31,301,818	35,562,794	19,525,713
-	3,188,902	9,012,210	7,508,761	2,262,536	1,769,751
300,000	-	-	-	-	-
4,456,580	2,229,109	960,855	541,907	269,357	119,662
597,434,027	586,582,339	580,571,166	590,144,270	593,555,090	570,127,195
114,701,994	118,517,768	117,475,619	115,688,136	118,108,161	114,270,761
91,538,720	88,970,424	87,356,259	89,830,242	97,250,186	90,042,746
52,950,476	52,872,322	54,166,903	48,602,743	49,987,411	53,610,904
7,827,906	8,889,221	8,364,559	8,397,383	8,251,131	8,237,407
41,520,684	43,289,297	42,255,922	44,026,969	44,353,875	41,062,109
1,040,243	50,282	53,368	43,133	33,625	-
204,566,937	218,635,536	205,717,540	171,309,720	195,333,708	201,293,387
-	-	-	-	347,408	-
37,665,536	32,194,102	42,246,435	56,570,778	67,227,782	26,928,990
33,226,719	35,766,343	37,413,352	27,821,247	40,084,951	42,023,919
20,321,152	19,497,740	17,129,985	29,811,366	18,612,948	16,496,449
605,360,367	618,683,035	612,179,942	592,101,717	639,591,186	593,966,672
(7,926,340)	(32,100,696)	(31,608,776)	(1,957,447)	(46,036,096)	(23,839,477)
112,215,093	105,080,053	113,218,228	109,787,305	95,800,084	97,153,386
-	-	4,490,443	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	23,015,000	2,555,000	52,845,000	-	-
-	17,255,000	-	-	76,840,000	-
(117,513,581)	(105,121,391)	(109,862,086)	(116,595,421)	(95,643,209)	(99,773,872)
-	(17,774,815)	-	-	(84,369,830)	-
-	732,755	-	770,237	5,786,007	-
-	-	-	-	-	-
9,490,000	34,285,000	12,280,000	-	14,170,000	26,690,000
513,048	2,715,026	978,896	-	832,673	3,997,373
4,704,560	60,186,628	23,660,481	46,807,121	13,415,725	28,066,887
(3,221,780)	28,085,932	(7,948,295)	44,849,674	(32,620,371)	4,227,410
9.43%	9.42%	9.57%	10.76%	10.26%	10.32%

CITY OF CHESAPEAKE, VIRGINIA

Table 5

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years - Unaudited

		Fiscal Years				
		2004	2005	2006	2007	2008
Real Property Assessed Value ¹	\$	13,248,747,216	14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412
Real Property Estimated Actual Value ¹		13,248,747,216	14,713,238,641	17,451,186,558	22,067,528,772	24,740,116,412
Personal Property Assessed Value ¹		1,426,488,475	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155
Personal Property Estimated Actual Value ¹		1,426,488,475	1,583,230,288	1,685,278,225	1,735,938,436	1,794,797,155
Total Assessed Value		14,675,235,691	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567
Total Direct Tax Rate ²		1.54	1.53	1.46	1.30	1.24
Estimated Actual Value		14,675,235,691	16,296,468,929	19,136,464,783	23,803,467,208	26,534,913,567
Ratio of Total Assessed Value to Total Estimated Actual Value		100.00%	100.00%	100.00%	100.00%	100.00%

		Fiscal Years				
		2009	2010	2011	2012	2013
Real Property Assessed Value ¹	\$	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769	\$23,197,467,449
Real Property Estimated Actual Value ¹		25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769	23,197,467,449
Personal Property Assessed Value ¹		1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642
Personal Property Estimated Actual Value ¹		1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997	1,880,111,642
Total Assessed Value		27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091
Total Direct Tax Rate ²		1.22	1.23	1.24	1.25	1.26
Estimated Actual Value		27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766	25,077,579,091
Ratio of Total Assessed Value to Total Estimated Actual Value		100.00%	100.00%	100.00%	100.00%	100.00%

¹ Source: City of Chesapeake Commissioner of the Revenue

² The Direct Tax Rate is calculated using a formula that includes the City's actual current tax rates which are \$1.04 per \$100 for real property and \$4.00 per \$100 for personal property.

CITY OF CHESAPEAKE, VIRGINIA

Table 6

Direct and Overlapping Property Tax Rates^{2,3}
 Last Ten Fiscal Years - Unaudited
 (rate per hundred)

		Fiscal Years									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real Estate ^{1,2}	\$	1.26	1.26	1.21	1.09	1.04	1.04	1.04	1.04	1.04	1.04
Motor Vehicles		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles ⁴		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Handicap Vehicles		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Boats ⁵		1.50	1.50	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes ⁶		1.26	1.26	1.21	1.09	1.04	1.04	1.04	1.04	1.04	1.04
Machinery & Tools ⁴		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes ⁴		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate ⁷		1.54	1.53	1.46	1.30	1.24	1.22	1.23	1.24	1.25	1.26

¹ Assessment of Real Estate is 100 percent of fair market value.

² The general City real estate tax levy is currently \$1.04 per \$100 assessed value. An additional \$0.01 per \$100 assessed value is imposed for mosquito control services.

³ The general City personal property tax levy is currently \$4.00 per \$100 assessed value. An additional \$0.08 per \$100 assessed value is imposed for mosquito control services.

⁴ Boats and vehicles are assessed using 100% of the loan value from a recognized pricing guide. Boats and vehicles that are not found in a recognized pricing guide are assessed as a percentage of their original cost. Airplanes, business personal property, and machinery and tools are assessed at 20% of their original cost. Farm equipment is assessed at 12% of its original cost.

⁵ The general tax rate on boat assessments was reduced to \$0.01 per \$100 effective January 1, 2006.

⁶ Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

⁷ The Direct tax rate is calculated using a weighted formula that includes the City's current tax rates of \$1.04 for real property and \$4.00 for personal property.

SOURCE: City of Chesapeake, Ordinances

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2013		Fiscal Year 2004	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 704,770,949	3.04%	\$ 592,909,263	4.48%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	89,188,100	0.38%	79,498,400	0.60%
Liberty Property LTD Partnership	Shopping Center & Office Bldg	81,712,200	0.35%	-	-
Chesapeake Mall LLC	Shopping Mall	60,744,100	0.26%	79,296,100	0.60%
Wal-Mart Stores East LP	Shopping Center	59,526,100	0.26%	-	-
CP Venture Two LLC	Shopping Center, Bank, Restaurant	52,822,000	0.23%	36,287,500	0.27%
Woodlake Co Limited Partnership	Apartment Complex	49,351,500	0.21%	35,858,000	0.27%
Chesapeake CVSD LN Apt Prop Own	Apartment Complex	48,336,400	0.21%	-	-
352 LLC	Apartment Complex	42,595,600	0.18%	-	-
JLP Chesapeake LLC	Retail	39,978,600	0.17%	30,121,100	0.23%
Crossways Associates LLC	Office Buildings	-	-	48,426,200	0.37%
Dollar Tree Distribution Inc	Distribution Center	-	-	26,131,000	0.20%
Chesapeake Center Associates	Shopping Center	-	-	25,711,400	0.19%
Mitsubishi Kasei America Inc	Manufacturing	-	-	25,653,000	0.19%
Total Top Ten Principal Taxpayers ¹		\$ 1,229,025,549	5.30%	\$ 979,891,963	7.40%
Total Assessed Valuation ²		\$ 23,197,467,449		\$ 13,248,747,216	

Source: ¹ City of Chesapeake Real Estate Assessor

² City of Chesapeake Commissioner of Revenue

CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Levies
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2004	2005	2006	2007	2008
Real Property ¹	\$ 158,879,070	177,090,767	204,335,250	235,211,107	252,360,481
Motor Vehicles	43,910,119	49,151,769	53,519,922	54,529,778	56,812,984
Motor Carriers	277,821	394,098	400,580	532,659	597,997
Recreation Vehicles	283,302	335,302	380,969	405,623	448,615
Boats ²	337,128	374,285	-	16	-
Business	8,243,408	8,789,092	9,216,386	9,766,342	10,339,218
Motor Homes	174,286	184,361	181,302	173,849	167,164
Machinery & Tools	2,608,522	2,699,724	2,835,759	3,006,118	2,481,580
Farm	109,295	111,666	76,574	120,436	122,233
Airplanes	19,651	31,450	35,978	37,310	38,278

	Fiscal Years				
	2009	2010	2011	2012	2013
Real Property ¹	\$ 258,241,894	256,686,437	244,714,892	239,592,086	232,728,788
Motor Vehicles	50,011,773	52,583,399	54,526,861	57,005,425	58,046,052
Motor Carriers	677,954	783,122	772,340	832,321	1,078,933
Recreation Vehicles	403,302	398,344	435,204	428,150	434,856
Boats ²	18,733	18,376	15,348	38	16,577
Business	10,665,984	10,907,821	11,110,574	10,871,320	10,823,401
Motor Homes	163,960	161,994	158,567	150,445	145,410
Machinery & Tools	2,673,382	2,467,120	2,656,780	2,525,561	2,807,478
Farm	124,263	122,016	124,308	125,153	137,745
Airplanes	40,165	52,265	49,359	44,540	40,719

¹ Public service corporation property is not included

² Beginning January 1, 2006 the general tax rate on boat assessment was reduced to \$.01 per \$100

Source: City of Chesapeake Commissioner of the Revenue

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

Fiscal Years	Original Levy	Adjusted Levy⁴	Collected in Initial Period^{1, 2, 3}	Percent of Levy Collected Within Fiscal Year of Levy	Collections in Subsequent Years¹	Cummulative Tax Collections	Cummulative Collections as a Percent of Adjusted Tax Levy
2004	225,644,477	230,160,841	212,646,800	94%	11,184,762	223,831,562	97%
2005	250,428,244	255,317,793	235,274,576	94%	13,395,629	248,670,205	97%
2006	281,317,257	285,378,750	270,230,570	96%	14,368,650	284,599,220	100%
2007	313,521,798	316,965,021	302,736,730	97%	14,850,793	317,587,523	100%
2008	333,265,029	335,672,237	320,625,461	96%	15,962,537	336,587,998	100%
2009	333,315,537	333,586,467	321,158,867	96%	12,794,293	333,953,160	100%
2010	335,044,180	334,978,556	322,313,673	96%	13,157,296	335,470,969	100%
2011	325,454,707	325,180,314	293,876,393	90%	14,202,147	308,078,540	95%
2012	322,131,965	323,086,598	307,325,140	95%	12,408,630	319,733,770	99%
2013	317,138,129	314,980,237	285,103,658	90%	-	285,103,658	91%

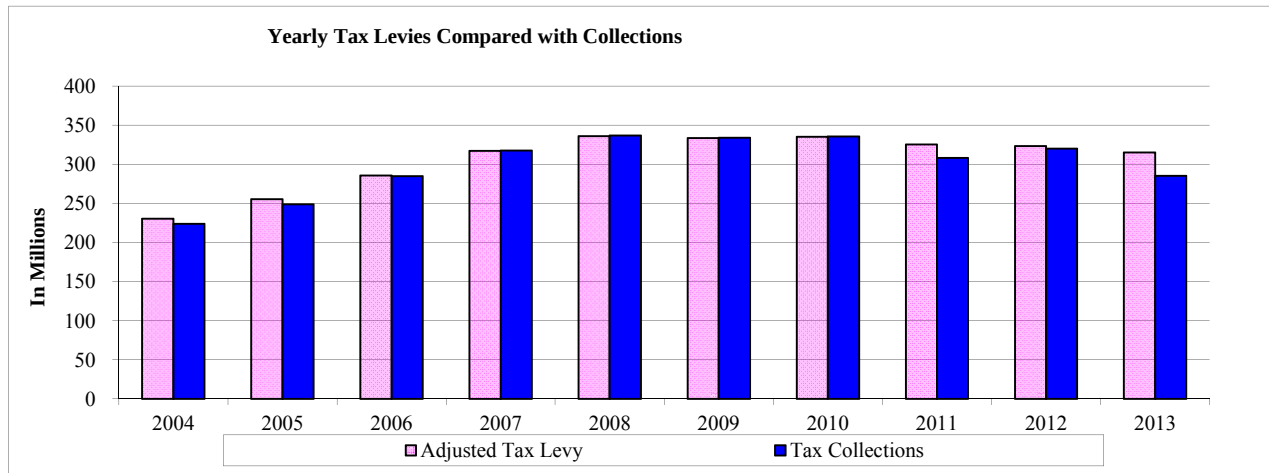
¹ Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit.

² Collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

³ Effective 2006, tax collections include amounts recorded by the Tax Increment Financing Funds.

⁴ Adjusted Levy reflects residual amount after exonerations and reassessments.

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years - Unaudited

		2004	2005	2006	2007
General Obligation Bonds ⁵	\$	357,728,496	368,101,103	386,216,974	386,364,926
School Literary Loans		6,276,341	5,726,848	5,177,355	4,627,862
Certificates of Participation		4,015,000	2,060,000	-	-
Installment Purchase Agreement		-	-	-	1,342,284
Section 108 Loans		2,500,000	2,255,000	1,995,000	1,715,000
Edinburgh Loan Payable		-	-	-	-
Supplemental Payments Agreement		26,820,000	25,870,000	24,205,000	23,160,000
Capital Leases to Component Unit		38,125,000	34,335,000	31,750,000	28,915,000
Capital Leases		14,165,348	12,112,890	12,170,380	12,590,549
Notes Payable		121,849	48,578	-	-
Total Governmental Activities ¹	\$	449,752,034	450,509,419	461,514,709	458,715,621

		2004	2005	2006	2007
General Obligation Bonds ^{2,5}	\$	136,134,927	137,891,769	132,943,657	127,952,342
Utility Notes Payable		690,000	575,000	460,000	345,000
Revenue Bonds ⁵		28,857,988	21,378,469	21,388,950	21,399,431
Due to the Commonwealth of Virginia		69,964,516	71,958,461	71,078,118	68,520,358
Total Business-Type Activities		235,647,431	231,803,699	225,870,725	218,217,131
Total Primary Government ¹	\$	685,399,465	682,313,118	687,385,434	676,932,752

Percent of Personal Income³ 9.94% 9.39% 8.87% 8.35%

All Debt Per Capita^{3, 4} 3,213 3,149 3,144 3,059

¹ Represents net direct debt.

² In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues.

³ See Table 18 Demographic and Economic Statistics for personal income and population data.

⁴ All Debt Per Capita is calculated by [sum of governmental activities + business-type activities] / population

⁵ General obligation bonds and revenue bonds for governmental and business-type activities previously reported gross have been restated to net amounts to include premiums, discounts and refunding costs. Premiums, discounts and refunding costs for 2004 are included with GO bonds.

⁶ GASB 65 was implemented in fiscal year 2013 which requires unamortized deferred gains/losses on refunding (previously referred to as "refunding gains/costs") to be reflected as deferred inflows/outflows of resources on the financial statements and are no longer to be included in the outstanding debt amount

n/a = not yet available.

Table 10

Governmental Activities					
2008	2009	2010	2011	2012	2013 ⁶
365,942,083	392,746,796	374,866,922	393,645,104	379,311,630	374,250,425
4,078,369	3,528,876	2,979,383	2,429,890	1,920,312	1,596,819
-	-	-	-	-	-
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
1,415,000	1,095,000	755,000	390,000	-	-
-	-	-	-	3,566,037	3,372,767
22,065,000	20,925,000	19,735,000	18,495,000	17,190,000	15,825,000
25,960,000	22,875,000	19,650,000	16,245,000	3,905,000	1,740,000
8,903,865	5,173,336	7,065,815	4,572,549	2,713,052	1,717,634
-	-	-	-	-	-
429,706,601	447,686,292	426,394,404	437,119,827	409,948,315	399,844,929
Business-Type Activities					
2008	2009	2010	2011	2012	2013 ⁶
123,202,703	118,352,808	113,726,503	109,491,935	104,530,235	102,400,760
230,000	115,000	-	-	-	-
21,024,910	20,625,391	56,704,446	56,228,710	54,994,987	193,293,117
68,163,966	67,321,762	65,828,257	66,265,372	63,210,753	63,483,912
212,621,579	206,414,961	236,259,206	231,986,017	222,735,975	359,177,789
642,328,180	654,101,253	662,653,610	669,105,844	632,684,290	759,022,718
7.29%	7.36%	7.28%	6.99%	n/a	n/a
2,871	2,904	2,919	2,992	2,765	3,322

Ratios of Outstanding General Bonded Debt
Last Ten Fiscal Years - Unaudited

General Bonded Debt Outstanding									
Fiscal Year		Governmental Activities General Obligation Bonds ¹	Business-Type Activities General Obligation Bonds ^{1,4}	Total General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property ²	Per Capita ³
2004	\$	357,728,496	136,134,927	493,863,423	6,276,341	-	500,139,764	3.41%	2,345
2005		368,101,103	137,891,769	505,992,872	5,726,848	-	511,719,720	3.14%	2,362
2006		386,216,974	132,943,657	519,160,631	5,177,355	-	524,337,986	2.74%	2,398
2007		386,364,926	127,952,342	514,317,268	4,627,862	1,342,284	520,287,414	2.19%	2,351
2008		365,942,083	123,202,703	489,144,786	4,078,369	1,342,284	494,565,439	1.86%	2,210
2009		392,746,796	118,352,808	511,099,604	3,528,876	1,342,284	515,970,764	1.89%	2,291
2010		374,866,922	113,726,503	488,593,425	2,979,383	1,342,284	492,915,092	1.81%	2,171
2011		393,645,104	109,491,935	503,137,039	2,429,890	1,342,284	506,909,213	1.94%	2,267
2012		379,311,630	104,530,235	483,841,865	1,920,312	1,342,284	487,104,461	1.90%	2,129
2013 ⁵		374,250,425	102,400,760	476,651,185	1,596,819	1,342,284	479,590,288	1.91%	2,099

¹ General Obligation Bonds and Revenue Bonds for Governmental and Business-Type Activities previously reported gross have been restated to net amounts to include premiums, discounts and refunding costs. Premiums, discounts and refunding costs for 2004 are included with GO bonds.

² Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.

³ Refer to Table 18 Demographic and Economic Statistics for population information.

⁴ In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues.

⁵ GASB 65 was implemented in fiscal year 2013 which requires unamortized deferred gains/losses on refunding (previously referred to as "refunding gains/costs") to be reflected as deferred inflows/outflows of resources on the financial statements and are no longer to be included in the outstanding debt amount.

Debt Affordability Indicators
Last Ten Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000¹

Fiscal Year		Overall Net Debt ^{2, 5}	Assessed Value of Taxable Real Property ³	Overall Net Debt to Assessed Value of Taxable Real Property	Population ⁴		Overall Net Debt Per Capita
2004	\$	447,062,538	\$ 13,248,747,216	3.37%	213,303	\$	2,096
2005		446,374,886	14,713,238,641	3.03%	216,644		2,060
2006		456,430,170	17,451,186,558	2.62%	218,638		2,088
2007		452,938,366	22,067,528,772	2.05%	221,282		2,047
2008		423,681,113	24,740,116,412	1.71%	223,743		1,894
2009		438,998,980	25,573,792,526	1.72%	225,255		1,949
2010		417,183,606	25,479,133,480	1.64%	226,995		1,838
2011		427,773,273	24,341,395,672	1.76%	223,647		1,913
2012		400,308,060	23,821,885,769	1.68%	228,835		1,749
2013		382,862,835	23,197,467,449	1.65%	228,513		1,675

¹ Policy adopted February 27, 2007.

² Overall net debt excluding premiums and discounts.

³ Source: Table 5

⁴ Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2004 - 2006 as of April 2010) and City of Chesapeake Planning Department estimates (2007 - 2013).

⁵ Excludes debt of business-type activities.

Ratio of Annual Debt Expenditures for General Obligation
 Bonded Debt to Total General Governmental Expenditures
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Total General Governmental Expenditures¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
2004	\$ 621,319,617	\$ 43,143,614	6.94%
2005	657,971,769	42,781,735	6.50%
2006	689,369,774	43,929,646	6.37%
2007	759,523,545	47,464,752	6.25%
2008	810,133,787	49,092,355	6.06%
2009	813,688,744	51,587,721	6.34%
2010	788,313,157	51,373,945	6.52%
2011	786,367,294	53,671,048	6.83%
2012	804,601,179	54,520,530	6.78%
2013	790,069,938	54,617,831	6.91%

¹ This table includes the expenditures from the following funds: General, Special Revenue, Permanent, Chesapeake Mosquito Control Commission - component unit, Debt Service, and Chesapeake Public Schools - component unit. Excluded are Capital Projects - primary government, and Public Schools Capital Projects - component unit.

² Expenditures for general obligation bonds, excluding those reported in Enterprise Funds.

CITY OF CHESAPEAKE, VIRGINIA

Table 14

Ratio of Bonded Debt Expenditures to Local Revenues
Last Ten Fiscal Years - Unaudited

Fiscal Year	Local Revenues ¹	Bonded Debt Expenditures ²	Ratio of Bonded Debt Expenditures To Local Revenues
2004	\$ 388,086,776	\$ 56,876,709	14.66%
2005	422,035,831	56,134,812	13.30%
2006	469,471,620	57,006,066	12.14%
2007	518,706,472	60,616,238	11.69%
2008	545,720,961	62,041,525	11.37%
2009	539,694,349	64,080,911	11.87%
2010	530,717,664	63,449,882	11.96%
2011	548,808,465	67,150,204	12.24%
2012	549,969,765	68,582,088	12.47%
2013	542,050,290	66,406,955	12.25%

¹ Includes local revenues of the following funds: General, Special Revenue, Permanent, Debt Service, Chesapeake Public Schools - component unit, Chesapeake Mosquito Control Commission - component unit, Public Utilities Fund, Chesapeake Transportation System and Stormwater Fund. Excluded are Capital Projects - primary government, Chesapeake Public Schools Capital Projects - component unit, and transfers/expenditures/revenues between the City, Chesapeake Public Schools, and Elizabeth River Properties of Chesapeake.

² Includes bonded debt expenditures for governmental and business-type activities.

CITY OF CHESAPEAKE, VIRGINIA**Table 15**

Direct and Overlapping Governmental Activities Debt
June 30, 2013 - Unaudited

Jurisdiction		Debt Outstanding		Percentage Applicable To Government	Amount Applicable To Government
Direct:					
	City of Chesapeake	\$	399,844,929	100.0%	\$ 399,844,929
Overlapping:					
	None		-	0.0%	-
TOTAL		\$	399,844,929	100.0%	\$ 399,844,929

Legal Debt Margin Information
Last Ten Fiscal Years - Unaudited

Fiscal Years	Debt Limit ¹	Total net debt applicable to limit ²	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2004	\$ 1,324,874,722	408,131,152	916,743,570	30.8%
2005	1,471,323,864	419,397,742	1,051,926,122	28.5%
2006	1,745,118,656	428,638,432	1,316,480,224	24.6%
2007	2,206,752,877	416,954,338	1,789,798,539	18.9%
2008	2,474,011,641	392,971,429	2,081,040,212	15.9%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%
2012	2,382,188,577	386,127,534	1,996,061,043	16.2%
2013	2,319,746,745	375,857,548	1,943,889,197	16.2%

¹ Under state law, the City's outstanding general obligation debt should not exceed 10 % of total assessed real property value. However, the City has adopted two affordability ratios that further restrict the debt below the amount indicated by the Legal Debt Margin.

² Excludes deferred premiums, discounts and refunding costs.

Revenue Bond Coverage (Pledged-Revenue)
Last Ten Fiscal Years - Unaudited

Water and Sewer Systems							
Fiscal Year	Gross Revenue¹	Operating Expenses²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS³			Coverage⁴
				Principal	Interest	Total	
2004	\$ 37,595,984	\$ 23,697,902	\$ 13,898,082	\$ 275,000	\$ 392,674	\$ 667,674	20.82
2005	37,354,500	25,652,449	11,702,051	193,333	190,895	384,228	30.46
2006	40,665,906	27,263,177	13,402,729	-	-	-	n/a
2007	45,444,218	29,780,532	15,663,686	-	-	-	n/a
2008	50,215,171	32,922,887	17,292,284	-	-	-	n/a
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76
2011	62,490,959 ⁵	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60
2012	61,960,470 ⁵	38,720,225	23,240,245	750,000	1,947,443	2,697,443	8.62
2013	60,824,884 ⁵	38,852,321	21,972,563	770,000	1,930,568	2,700,568	8.14

Chesapeake Expressway/Chesapeake Transportation System⁶							
Fiscal Year	Gross Revenue	Operating Expenses²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS⁷			Coverage⁸
				Principal	Interest	Total	
2004	\$ 6,678,718	\$ 2,173,814	\$ 4,504,904	-	\$ 1,216,688	\$ 1,216,688	3.70
2005	6,911,794	2,204,682	4,707,112	-	1,216,688	1,216,688	3.87
2006	7,074,711	2,480,948	4,593,763	-	1,216,688	1,216,688	3.78
2007	7,375,691	2,520,958	4,854,733	-	1,216,688	1,216,688	3.99
2008	7,217,160	2,607,820	4,609,340	\$ 385,000	1,205,859	1,590,859	2.90
2009	6,910,173	2,965,959	3,944,214	410,000	1,183,500	1,593,500	2.48
2010	7,097,481	2,803,534	4,293,947	430,000	1,159,875	1,589,875	2.70
2011	8,131,491	2,880,655	5,250,836	455,000	1,134,984	1,589,984	3.30
2012	10,488,113	2,760,383	7,727,730	480,000	1,108,688	1,588,688	4.86
2013	10,310,889	2,817,156	7,493,733	510,000	1,412,119	1,922,119	3.90

¹ Gross revenues are defined as exclusive of interest and less fifty percent (50%) of connection fees for the Water and Sewer System under the 1987 bond resolution for all revenue bonds issued prior to fiscal year 2010. In fiscal year 2010 and in subsequent fiscal years the definition of revenues for the Water and Sewer System includes interest, 100% of connection fees, and the Build America Bonds subsidy reimbursement. Capital grants and revenues transferred to the rate stabilization fund have been excluded from the calculation.

² Operating expenses are exclusive of depreciation and amortization and renewal and replacement costs.

³ As of June 30, 2005, all revenue bonds for Public Utilities had been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer revenues. New revenue bonds were issued in April 2010.

⁴ Net revenue shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt. The coverage calculations presented in this Table differ from those required by bond indentures.

⁵ The transfers to the Rate Stabilization Fund for the fiscal year ended 2011 and 2012 were \$5.2 million and \$3.0 million, respectively. There was no transfer in fiscal year ended 2013.

⁶ In fiscal year 2013 all outstanding Chesapeake Expressway bonds were refunded and the project was incorporated into the Chesapeake Transportation System.

⁷ Debt service requirements are based on actual amounts paid versus debt service as defined in bond agreements.

⁸ The coverage calculations presented in this Table differ from those required by bond indentures.

CITY OF CHESAPEAKE, VIRGINIA

Table 18

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ²	School Enrollment ³	Chesapeake Unemployment Rate ⁴	Virginia Unemployment Rate ⁴
2004	213,303	\$ 6,896,084	\$ 32,350	39,440	3.7%	3.9%
2005	216,644	7,266,605	33,567	40,005	3.7%	3.6%
2006	218,638	7,753,052	35,504	40,121	3.2%	3.2%
2007	221,282	8,102,202	37,025	39,465	3.1%	2.9%
2008	223,743	8,810,046	39,988	39,026	3.3%	3.3%
2009	225,255	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	9,103,000	40,812	38,864	6.8%	7.0%
2011	223,647	9,565,620	42,504	38,668	6.6%	6.5%
2012	228,835	n/a	n/a	38,421	6.3%	6.0%
2013	228,513	n/a	n/a	38,591	5.8%	5.6%

n/a - Information not yet available

Sources:

¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2004 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2013). For fiscal year 2011 the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts are the basis for future population estimates generated by the Planning Department during this decade.

² Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of November 2012)

³ Chesapeake Public Schools

⁴ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through March 2013)

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Principal Employers
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2013		Fiscal Year 2004	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,707	5.05%	4,961	4.43%
City of Chesapeake ³	Government	3,592	3.18%	3,085	2.75%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,300	2.03%	2,400	2.14%
Cox Communications	Hampton Roads headquarters/customer care center	1,600	1.41%	800	0.71%
Sentara Home Care Services	Home care nursing	1,100	0.97%	-	0.00%
General Dynamics Information Technology	Engineering and technical services	780	0.69%	-	0.00%
Dollar Tree Stores Inc	Corporate headquarters/distribution facility	900	0.80%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration Service Center	800	0.71%	-	0.00%
Captial One	Credit Intermediation and Related Activities	650	0.57%	-	0.00%
Canon Information Technology Service Inc	Technical and consumer support	600	0.53%	-	0.00%
QVC Chesapeake Inc	Phone center/order processing facility	580	0.51%	1,276	1.14%
Oceaneering International	Transportation Equipment Manufacturing	460	0.41%	-	0.00%
Lifetouch National School Studios Inc	School photography processing plant	300	0.27%	665	0.59%
First Data Resources	Card processing center	300	0.27%	-	0.00%
Caci Acquisition Inc	Professional, Scientific and Technical Services	300	0.27%	-	0.00%
		19,969	17.66%	13,187	11.77%
Total Employment ²		113,076		112,058	

Source: City of Chesapeake Economic Development Department unless otherwise noted.

¹ Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

² Source is Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2010)

³ Source is Budget Department

CITY OF CHESAPEAKE, VIRGINIA

Table 20

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees	Employees Per 1,000 Population
2004	213,303	3,085	14.5
2005	216,644	3,128	14.4
2006	218,638	3,170	14.5
2007	221,282	3,277	14.8
2008	223,743	3,368	15.1
2009	225,255	3,325	14.8
2010	226,995	3,167	14.0
2011	223,647	3,501	15.7
2012	228,835	3,550	15.5
2013	228,513	3,592	15.7

Sources: ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2004 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2013)

Population and Employee Figures



Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees. In fiscal year 2011 and in subsequent years, part-time employees full-time equivalent are included.

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Chesapeake
VIRGINIA

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years - Unaudited

	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
General Government										
Management Services			40	41	43	43	38	42	43	42
Economic Development			71	74	74	73	60	49	76	80
Finance			24	25	26	25	22	24	25	24
Information Technology			54	55	57	54	52	58	61	58
Human Resources			17	20	20	21	21	20	21	20
Budget			7	7	7	7	6	7	7	7
Agriculture			8	8	8	7	5	7	7	6
Development & Permits			7	4	7	6	28	73	76	75
Other			244	257	248	242	221	265	243	249
Police			507	498	546	520	510	543	554	548
Sheriff			346	389	396	403	393	407	406	400
Fire			418	452	426	432	415	428	444	443
Community Services			158	159	172	167	166	207	210	257
Community Programs			57	59	58	58	60	24	23	13
Public Works			425	438	445	424	377	449	451	451
Parks and Recreation			77	81	84	89	81	177	177	192
Library			80	85	84	84	79	118	122	123
Public Utilities			195	184	194	198	184	208	208	208
General Services			66	71	70	70	66	-	-	-
Justice			53	63	94	86	76	84	84	84
Health and Human Services			316	307	309	316	307	311	312	312
Total	3,085	3,128	3,170	3,277	3,368	3,325	3,167	3,501	3,550	3,592

Source: Personnel Summary provided by Budget Department¹ Department of General Services was absorbed into the Departments of Parks and Recreation, and Public Works effective fiscal year 2011.² With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees. In fiscal year 2011 and in subsequent years, part-time employees full-time equivalent are included.**Note:** Detailed information for 2004 - 2005 is not available

CITY OF CHESAPEAKE, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years - Unaudited

	Fiscal Year				
	2004	2005	2006	2007	2008
<u>Function/Program</u>					
General Government					
Building Permits Issued	6,519	6,769	6,481	5,547	4,843
Building Inspections Conducted	14,864	16,432	14,600	11,022	9,452
Electrical Permits Issued	4,483	4,996	4,775	4,156	3,578
Electrical Inspections Performed	11,520	13,462	12,260	12,636	11,339
Plumbing Permits Issued	1,925	2,420	2,280	1,898	1,738
Plumbing Inspections Performed	10,946	10,952	9,724	8,788	7,441
Mechanical/Gas Permits Issued	6,120	6,878	6,163	5,147	4,655
Mechanical/Gas Inspections Performed	14,305	17,981	18,447	12,769	10,241
Code Compliance Inspections	13,339	14,013	20,270	20,570	25,568
Police					
Calls for Police Service	151,753	135,054	131,669	126,458	159,180
Part I Law Violations	8,432	9,236	9,183	8,005	8,270
Total Criminal Charges (primary and secondary)	n/a	n/a	n/a	n/a	16,083
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	57,858	63,609	55,715	31,547
DUI Arrests	948	1,243	1,159	925	721
Fire					
Calls answered for Fire Protection Services	23,416	23,460	23,911	24,504	25,152
Public Works					
Refuse Collected (tons per year)	115,592	114,605	118,899	116,794	114,145
Street Resurfacing (miles)	56.57	47.58	44.99	54.58	35.56
Potholes Repaired	n/a	n/a	5,200	3,376	3,047
Water					
Active Service Accounts	58,187	59,008	59,880	60,390	60,923
Daily Average Consumption in Gallons (in mgd) ¹	15.00	16.00	16.53	16.20	16.19
Daily Average Water Provided by Chesapeake (in mgd)	9.15	9.25	9.73	10.67	10.69
Daily Average Water Purchased from other localities (in mgd)	6.37	6.71	6.08	5.46	5.50
Wastewater					
Active Service Accounts	56,340	57,160	58,046	58,579	59,126
Parks and Recreation					
Youth Athletics - Participants	9,414	9,003	8,414	7,793	7,002
Youth Athletics - Teams	715	695	648	601	537
Youth Athletics - Coaches	1,345	1,353	1,359	1,200	1,062
Adult Athletics - Participants	3,544	4,180	4,445	4,064	3,924
Adult Athletics - Teams	199	236	235	228	227
Special Programs Athletics - Participants	510	1,065	818	627	700
Special Programs Athletics - Programs	10	11	9	10	7
Leisure Classes - Youth Participants	2,174	2,104	2,073	1,908	1,580
Leisure Classes - Adult Participants	1,246	1,258	779	769	614
Leisure Classes - Community Program Participants ²	44,151	47,268	42,623	45,247	63,892
Leisure Classes - Special Event Attendance	29,200	34,900	34,250	31,750	26,915
Community Center Attendance ³	n/a	173,191	199,587	172,544	188,276
Community Center ID Sales	n/a	10,147	8,974	9,528	7,604
Community Center Rentals	n/a	1,607	1,769	1,392	1,157
Senior Program Participants	n/a	n/a	n/a	12,732	15,982
Therapeutic Program Participants	n/a	n/a	n/a	2,044	2,760
Library					
Items Checked Out	1,781,996	1,890,069	1,956,559	1,912,077	2,010,415
Interlibrary Loans - Borrowed	906	910	1,072	974	1,269
Interlibrary Loans - Loans	2,452	2,591	2,696	2,146	2,467
Library Collection	646,189	678,422	677,933	691,482	699,943
Patron Visits	1,125,096	1,349,598	1,589,297	1,622,831	1,491,973
Website Visits	n/a	520,208	692,305	654,106	779,001
Registered Patrons	163,089	182,623	188,999	207,190	227,348
Total Programming	2,316	2,418	2,417	2,541	2,987
Total Programming - Participants	67,858	73,708	70,343	96,476	78,256
Meetings	2,665	2,966	3,269		
Meeting Participants	47,463	50,868	53,774		
Typewriter Use	1,443	925	774	471	540
Public Computer Use	222,471	407,157	517,870	600,024	596,540
Bookmobile - Patrons ⁴	15,514	14,597	12,761	15,516	16,219
Bookmobile - Number of Stops ⁴	1,453	1,380	1,201	1,307	1,331
Bookmobile - Miles Driven ⁴	7,266	7,078	6,364	7,811	8,240
Schools					
Student Enrollment	39,440	40,005	40,121	39,465	39,026

Source: Various City Departments

n/a - Information not available

¹ Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)

² Summer Food Service Program was transferred to Schools in FY09.

³ Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs

⁴ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need

CITY OF CHESAPEAKE, VIRGINIA

Table 22

Operating Indicators by Function/Program
Last Ten Fiscal Years - Unaudited

	Fiscal Year				
	2009	2010	2011	2012	2013
Function/Program					
General Government					
Building Permits Issued	3,947	3,481	3,973	4,199	3,940
Building Inspections Conducted	7,251	7,417	8,085	8,744	9,933
Electrical Permits Issued	3,028	4,926	3,194	2,911	2,994
Electrical Inspections Performed	8,411	7,857	8,842	7,968	9,151
Plumbing Permits Issued	1,418	1,490	1,530	1,402	1,260
Plumbing Inspections Performed	4,569	5,849	5,639	5,261	5,724
Mechanical/Gas Permits Issued	4,021	4,688	4,390	4,268	5,016
Mechanical/Gas Inspections Performed	7,028	8,339	8,039	7,821	8,678
Code Compliance Inspections	19,899	21,580	17,183	16,612	14,397
Police					
Calls for Police Service	156,618	136,811	120,216	126,508	124,261
Part I Law Violations	8,640	9,338	8,534	7,914	7,122
Total Criminal Charges (primary and secondary)	18,190	17,685	16,148	16,773	17,078
Total Traffic Charges (moving/ non-moving/excludes DUI)	34,841	38,555	38,810	35,666	35,976
DUI Arrests	830	735	951	1,216	1,187
Fire					
Calls answered for Fire Protection Services	24,839	25,051	24,916	25,268	26,508
Public Works					
Refuse Collected (tons per year)	110,931	111,348	93,171	94,184	91,908
Street Resurfacing (miles)	36.87	41.99	32.76	44.33	50.00
Potholes Repaired	4,717	7,249	9,980	8,367	11,110
Water					
Active Service Accounts	61,243	61,713	62,029	62,333	62,504
Daily Average Consumption in Gallons (in mgd) ¹	16.96	16.88	17.20	16.30	15.57
Daily Average Water Provided by Chesapeake (in mgd)	11.14	10.66	11.10	10.10	11.27
Daily Average Water Purchased from other localities (in mgd)	5.82	6.22	6.10	6.19	5.81
Wastewater					
Active Service Accounts	59,437	59,909	60,154	60,449	60,831
Parks and Recreation					
Youth Athletics - Participants	6,261	5,819	5,140	4,884	4,279
Youth Athletics - Teams	506	481	433	413	370
Youth Athletics - Coaches	915	834	727	664	612
Adult Athletics - Participants	4,095	3,999	3,639	3,070	2,560
Adult Athletics - Teams	237	228	218	189	172
Special Programs Athletics - Participants	495	480	408	379	528
Special Programs Athletics - Programs	6	3	1	2	3
Leisure Classes - Youth Participants	2,372	1,901	1,249	1,159	1,196
Leisure Classes - Adult Participants	1,301	855	703	787	712
Leisure Classes - Community Program Participants ²	3,346	3,386	3,277	3,644	3,773
Leisure Classes - Special Event Attendance	27,775	28,095	34,328	20,525	29,375
Community Center Attendance ³	189,700	202,884	361,059	425,108	407,456
Community Center ID Sales	8,314	8,086	9,518	7,060	6,474
Community Center Rentals	1,328	1,340	1,637	2,092	2,054
Senior Program Participants	21,742	23,478	18,337	21,664	19,855
Therapeutic Program Participants	2,014	2,113	2,563	1,094	1,707
Library					
Items Checked Out	2,365,984	2,526,633	2,600,964	2,561,515	2,352,046
Interlibrary Loans - Borrowed	1,189	1,151	605	311	216
Interlibrary Loans - Loans	2,841	2,298	1,350	878	246
Library Collection	598,224	566,744	575,462	580,046	534,037
Patron Visits	1,623,514	1,520,528	1,392,890	1,410,177	1,287,912
Website Visits	394,623	433,480	433,889	472,836	453,106
Registered Patrons	161,373	139,821	130,989	154,252	162,903
Total Programming	3,205	3,237	3,138	3,054	3,928
Total Programming - Participants	66,313	71,425	64,416	58,945	78,575
Meetings					
Meeting Participants					
Typewriter Use	409	641	681	660	880
Public Computer Use	651,984	682,863	636,072	565,386	541,384
Bookmobile - Patrons ⁴	15,348	14,390	6,176	9,645	10,232
Bookmobile - Number of Stops ⁴	1,291	1,324	448	492	515
Bookmobile - Miles Driven ⁴	7,415	7,510	2,186	2,339	1,982
Schools					
Student Enrollment	38,868	38,864	38,668	38,421	38,591

Source: Various City Departments

n/a - Information not available

¹ Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)² Summer Food Service Program was transferred to Schools in FY09.³ Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs⁴ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need

CITY OF CHESAPEAKE, VIRGINIA

Table 23

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years - Unaudited

	Fiscal Year					Fiscal Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Police										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	231	208	194	214	193	194	235	203	198	222
Fire Stations	15	15	15	15	15	15	15	15	15	15
Public Works										
Refuse Collection										
Collection Trucks	58	58	58	60	61	60	60	52	52	61
Other Public Works										
Storm Sewers (miles)	n/a	n/a	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,150
Streets (miles)	2,222	2,257	2,310	2,314	2,329	2,346	2,354	2,364	2,361	2,700
Streetlights	21,266	21,745	22,023	22,287	22,634	23,432	23,763	23,874	23,759	23,706
Parks and Recreation										
Park Acreage	2,042	2,043	2,066	2,066	2,262	2,262	2,322	2,322	2,322	2,349
Parks and Play Areas	65	67	64	66	67	67	70	70	70	71
Athletic Fields/Tennis Courts	211	211	211	200	199	203	226	226	228	228
Community Centers	7	7	7	8	8	8	8	8	8	8
Specialized Centers	4	4	4	4	4	4	4	5	5	5
Water										
Water Mains (miles)	772	786	795	804	818	824	821	828	829	832
Fire Hydrants	4,432	4,522	4,608	4,681	4,823	4,892	4,925	4,993	5,019	5,052
Wastewater										
Sanitary Sewers (miles)	982	1,003	1,019	1,034	1,048	1,053	1,053	1,057	1,060	1,062
Sewage Pumping Stations	248	253	255	259	262	262	263	264	262	262
Schools										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	16	16	16	16	17	17	17	17	17	17
Educational Centers	3	3	3	3	3	3	2	3	3	3

Source: Various City Departments

n/a - Information not available

COMPLIANCE SECTION



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2013

Schedule U-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Agriculture:		
Direct payments:		
Food and Nutrition Service		
Summer Food Service Program for Children	10.559	\$ 81,187
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	2,083,270
Virginia Department of Education:		
School Breakfast Program	10.553	1,845,785
National School Lunch Program	10.555	5,197,187
Summer School Service Program For Children	10.559	145,518
Child Nutrition Discretionary Grants Limited Availability (Equipment Assistance Grant)	10.579	20,507
Fresh Fruit and Vegetable Program	10.582	107,054
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	882,407
Virginia Department of Forestry:		
Department of Agriculture - Cooperative Forestry Assistance - Urban Forestry Grant	10.664	73
		10,362,988
Department of Energy:		
Direct payments:		
Energy Efficiency Conservation Block Grant - American Recovery and Reinvestment Act	81.128	203,845
		203,845
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grant Program:		
Program Year 2010	14.218	15,042
Program Year 2011	14.218	360,210
Program Year 2012	14.218	191,121
Program Year 2013	14.218	569,098
Shelter Plus Renewal Grant	14.238	9,801
HOME Investment Partnerships Program:		
Program Year 2010	14.239	304
Program Year 2011	14.239	674,695
Program Year 2012	14.239	194,101
Program Year 2013	14.239	130,357
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization Program Income Allocation	14.228	377,940
		2,522,669
Department of Health and Human Services:		
Pass-through payments:		
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	136,386
Block Grants for Prevention and Treatment of Substance Abuse	93.959	754,020
Supreme Court of Virginia Department of Judicial Services Drug Treatment Court Division		
BJA Adult Drug Court	93.276	13,127
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	114,136
Temporary Assistance for Needy Families	93.558	1,899,300
Refugee and Entrant Assistance - State Administered Program	93.566	13,319
Low Income Home Energy Assistance	93.568	107,400
Child Care & Development Fund	93.596	244,178
Chaffee Education and Training Vouchers Program (ETV)	93.599	1,651
Child Welfare Services-State Grants	93.645	8,503
Revenue Maximization	93.645	50,971
Foster Care-Title IV-E	93.658	933,230
Adoption Assistance	93.659	659,761
Social Services Block Grant	93.667	1,112,128
Independent Living	93.674	14,336
State Children's Insurance Program	93.767	50,714
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,253,883
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	869,045
		8,236,088
		(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2013

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of the Interior:		
Direct payments:		
Payment in Lieu of Taxes	15.226	6,088
U.S. Fish and Wildlife Service - Department of the Interior		
Back Bay Grants - 2013	15.649	21,761
Refuge Revenue Sharing	15.226	29,106
PW Stormwater Development Grant	15.253	15,350
		<u>72,305</u>
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	125,268
Edward Byrne Justice Assistance Program - American Recovery and Reinvestment Act		
Fiscal Year 2009 - American Recovery and Reinvestment Act	16.804	483,377
Office of Juvenile Justice and Delinquency Prevention - Gang Prevention Grant	16.541	23,474
Office of Community Oriented Policing Services-2012 COPS Grant	16.710	19,176
Pass-through payments:		
Bureau of Justice Assistance:		
Juvenile Account Incentive Block Grant		
Fiscal year 2012	16.523	38,397
Fiscal year 2013	16.523	4,760
Edward Byrne Grant Program		
Fiscal Year 2009	16.738	4,844
Fiscal Year 2010	16.738	9,404
Fiscal Year 2011	16.738	109,542
Fiscal Year 2012	16.738	76,121
		<u>894,363</u>
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	14,600
		<u>14,600</u>
U.S. Department of Transportation:		
Pass-through payments:		
Virginia Department of Transportation:		
Federal Highway Administration - American Recovery and Reinvestment Act		
Dismal Swamp Trail	20.205	129,040
Federal Highway Administration - Planning and Construction		
Dismal Swamp Trail - Phase I	20.205	1,084,398
Battlefield Visitor Center	20.205	1,090
Elbow Road Safety Improvement	20.205	3,734
Traffic Signal Improvement - S. Military Hwy	20.205	36,512
Rt. 104 Steel Bridge	20.205	22,835,735
Safe Roads to School Program	20.205	800
Gum Road Multi-Use Path	20.205	600
Emergency Vehicle Pre-Emption Devices	20.205	695
Traffic Management Center and Systems Addition	20.205	402
Department of Motor Vehicles - Alcohol Traffic Safety and		
Drunk Driving Prevention Incentive Grants		
Fiscal year 2012	20.607	18,513
Fiscal year 2013	20.607	20,453
		<u>24,131,972</u>
Department of Defense		
Direct payments		
Department of Defense Impact Aid	12.558	683,380
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	2,092
		<u>685,472</u>
		(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2013

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Education:		
Direct payments:		
Impact Aid	84.041	3,438,424
Pass-through payments:		
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	204,737
Title I, Part D - Program for Neglected & Delinquent Children	84.013	4,953
Title I Grants to Local Educational Agencies	84.010	5,291,289
Special Education - Grants to States	84.027	10,846,302
Special Education - Preschool Grants	84.173	159,677
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,458,541
Vocational Education - Basic Grants to States	84.048	465,476
Title III, Part A - English Language Acquisition Grants	84.365	80,902
Part C Funds	84.181	238,408
Statewide Longitudinal Data Systems, Recovery Act	84.384	74,617
Education Jobs Fund	84.410	4,185,625
		26,448,951
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters	97.044	382,704
Assistance to Firefighters	97.044	10,722
Pass-through payments:		
Virginia Department of Emergency Management:		
Urban Area Security Initiative Grant-2009	97.008	4,597
Urban Area Security Initiative Grant-2010	97.008	234,500
Urban Area Security Initiative Grant-2010	97.008	694,153
Urban Area Security Initiative Grant-2010	97.008	241,000
Urban Area Security Initiative Grant-2010 Part II	97.008	168,121
Urban Area Security Initiative Grant-2013	97.008	4,592
Urban Area Security Initiative Grant/Hampton Roads Citizen Corps Council	97.010	40,000
FEMA Reimbursement - 2009 Nor'easter	97.036	73,071
FEMA Reimbursement - Hurricane Irene	97.036	2,590,386
Hazardous Mitigation Grant - 2012	97.039	984,123
Local Emergency Management Planning Grant - 2011	97.042	5,494
Local Emergency Management Planning Grant - 2012	97.042	21,799
Local Emergency Management Planning Grant - 2013	97.042	14,641
Local Emergency Management Vehicle Grant	97.042	32,854
PS Headquarters EOC EDC Ph1	97.052	1,000,000
Interoperable Comm Grant	97.055	7,311
Port Security Grant - 2011	97.056	99,728
Port Security Grant - 2012	97.056	52,822
Citizens Corp Grant - 2013	97.067	2,917
Homeland Security - Pet Shelter Grant	97.067	19,892
PS 2012 CACHE Program	97.067	1,855
Local Emergency Management Planning Grant - 2010	97.073	2,880
VDEM 2010 SHSPG Cache Grant	97.073	23,618
SHSP Grant 2010	97.073	7,562
SHSP Haz Mat Training 2011	97.073	21,639
Port Security Grant	97.111	8,332
		6,751,313
Department of Labor:		
Direct payments:		
Workforce Investment Act	17.261	49,589
		49,589
National Science Foundation		
Pass-through payments:		
Virginia Commonwealth University		
Trans-NSF Recovery Act Research Support (MSP Institute: Math Specialist in Middle Schools)	47.082	137,355
		137,355
	\$	80,511,510

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the City of Chesapeake, Virginia. The City of Chesapeake's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

(3) Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,538,846
Capital Projects Fund	2,459,601
Special Revenue Funds:	
Virginia Public Assistance Fund	8,378,955
Grants Fund	4,722,614
Community Development Fund	2,145,331
Community Services Fund	1,128,814
Enterprise Funds	22,841,271
Total primary government	43,215,432
Component unit - Public Schools:	
School Operating Fund	28,841,070
School Food Services Fund	7,316,051
Total component unit - Public Schools	36,157,121
Total federal expenditures from intergovernmental revenue	79,372,553
Other reconciling items	1,138,957
Total federal expenditures per the Schedule of	
Expenditures of Federal Awards	\$ 80,511,510

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, Our House Families, Heart of Compassion, For Kids, and Building Trade Academy are the subrecipients for the federal awards of \$675,684 for the Community Development Block Grant Program and \$405,547 for the HOME Investment Program received from the Department of Housing and Urban Development.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2013

1) Summary of Auditor's ResultsFinancial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture:	
Child Nutrition Cluster	10.553/10.555/10.556/10.559
Department of Transportation:	
Highway Planning & Construction	20.205
ARRA – Highway Planning & Construction	20.205
Department of Health and Human Services	
Medicaid	93.778
Department of Homeland Security	
Disaster Assistance Grant	97.036
Hazardous Mitigation Grant	97.039
Emergency Operations Center Grant	97.052
Department of Education:	
ARRA – Education Jobs Fund	84.410

Dollar threshold to distinguish between Types A and B Programs:	\$2,415,345
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The City of Chesapeake was qualified as a low risk auditee?	Yes
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CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2013

2) Findings - Financial Statement Audit
None

3) Findings and Questioned Costs - Major Federal Awards

2013-1 Compliance with Hazardous Mitigation

Criteria:

The grant requires a matching contribution in which the City fulfills by the value of in-kind labor.

Statement of Condition:

During our testing of in-kind labor, we noted there was no supervisory review on the labor worksheets.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

Employees that contribute time to the project kept track of their time on a Monthly Time/Activity Report worksheet that is submitted to the project manager before the grant is closed or after a substantial amount of time is spent. There is no review as to the accuracy of the recorded time.

Cause:

The supervisory review is historically completed at the close out of the grant.

Effect or Potential Effect:

Absent proper review and approval, it is possible grant funds could be used for unallowable costs.

Recommendation:

We recommend that in-kind labor be submitted and reviewed on at least a monthly basis. The reviewer should sign off on the Monthly Time/Activity Report to note his approval.

Views of Responsible Officials:

The Department has historically accumulated the in-kind services documentation (hours worked) from each participating individual at the close of the grant and calculated the value with the individual pay rates to include in the grant closure reporting. The Department staff will recreate the monthly documentation to date and obtain provider sign-off. Going forward the Department will require each City staffer to document and sign-off on time and other in-kind services monthly and submit to the grant manager for review and approval.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2013

2013-2 Compliance with Emergency Operations Center Grant

Criteria:

This grant was provided by the Commonwealth of Virginia Department of Emergency Management (VDEM) which requires that the City submit quarterly performance reports.

Statement of Condition:

We noted that no performance reports were submitted to VDEM.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

The amount of the grant was expended within a week's time. Only a final performance report would have been necessary. No performance reports were submitted.

Cause:

Due to the fact this grant was awarded in 2008 but not expended until fiscal year 2013, management lost oversight of the reporting requirement.

Effect or Potential Effect:

The City did not meet the reporting requirements set by the granting agency.

Recommendation:

We recommend the City review the grant requirements upon award of the grant and designate an individual to be responsible for complying with those requirements.

Views of Responsible Officials:

The Department has created a Grants Management Team and refined the internal procedures for grant application, submission of quarterly reports (even in periods with no activity) and grant closeout, including final reports. Going forward, our grants will be followed through by the individual applicant, with oversight provided by the Grants Management Team during the monthly meetings.

4) Findings and Questioned Costs – State Compliance

2013-3 Social Services

Criteria:

When a user is terminated from the Department of Social Services, their privileges must be immediately removed from all systems they were authorized to use within no more than three working days of employment termination.

Statement of Condition:

We noted two employees were terminated and were not removed from all systems in a timely manner.

Questioned Costs:

No questioned costs were identified as a result of this finding.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
 Year Ended June 30, 2013

Perspective Information:

The date privileges were removed was more than two weeks after the date of employment termination.

Cause:

Lack of communication between departments.

Effect or Potential Effect:

Unauthorized users have access to the system.

Recommendation:

We recommend that the City remove the privileges of former employees from the system no more than 3 working days of employment termination.

Views of Responsible Officials:

The following steps were taken to prevent future delays in the removal of employees system's accesses:

- Immediate issuance of a "Personnel Change" notification form. The form is prepared by a designated DSS Human Resource (HR) employee and forwarded to a designated DSS Information Technology (IT) employee to signal the need to timely remove applicable state and city system's accesses.
- Primary and secondary points of contact established in both HR and IT to ensure appropriate coverage, and timely action.

Additionally, agency staff (HR & IT) continue to work together to reconcile Security Access Management System (SAMS) reports to Local Employee Tracking System (LETS) reports on a semi-monthly basis to ensure staff removal, to include staff transfers to other City Departments.

Due to the seriousness of non-compliance, failure to comply with policy and procedure will result in disciplinary action.

5) Resolution of Prior Year's Findings**2012-1**

Status: Corrected

2012-2

Status: Corrected

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, individual and aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Chesapeake, Virginia (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2013. Our reporting includes a reference to other auditors who audited the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

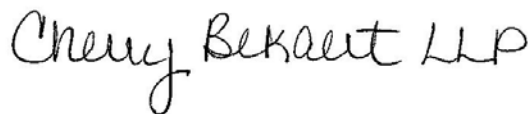
We did identify one matter of noncompliance with State compliance requirements which is described in the accompanying schedule of findings and questioned costs as 2013-3.

City of Chesapeake, Virginia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Bekaert LLP".

Virginia Beach, Virginia
December 2, 2013

**Independent Auditor's Report on Compliance for Each Major
Federal Program and Internal Control over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Chesapeake, Virginia (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance for each of its major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report Internal Control over Compliance

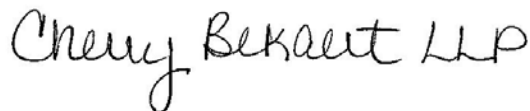
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 2, 2013

*End of Comprehensive Annual Financial Report
Of the City of Chesapeake, Virginia
For the Fiscal Year Ended
June 30, 2013*

