

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Financial Statements

Fiscal Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

Prepared by
Department of Accounting
Dr. James T. Roberts
Superintendent of Schools

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INTRODUCTORY SECTION

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CHESAPEAKE PUBLIC SCHOOLS**

(Component Unit of the City of Chesapeake, Virginia)

Members of the School Board and School Board Officials as of June 30, 2011

School Board

Mr. Harry A. MurphyChairman

Mr. James A. (Jay) Leftwich, Jr... Vice Chairman

Mr. C. Jeff Bunn

Mrs. Christie N. Craig

Mrs. Bonita B. Harris

Mrs. Brenda J. Johnson

Mr. Thomas L. Mercer, Sr.

Mrs. Christina F. Pullen

Mr. Michael J. Woods

Officials

Dr. James T. Roberts Superintendent

Dr. William E. RussellDeputy Superintendent

Dr. Patricia L. PowersAssistant Superintendent for Curriculum and Instruction

Ms. Victoria Lucente Assistant Superintendent for Budget and Finance

Dr. Alan L. VaughanAssistant Superintendent for Human Resources and School Services

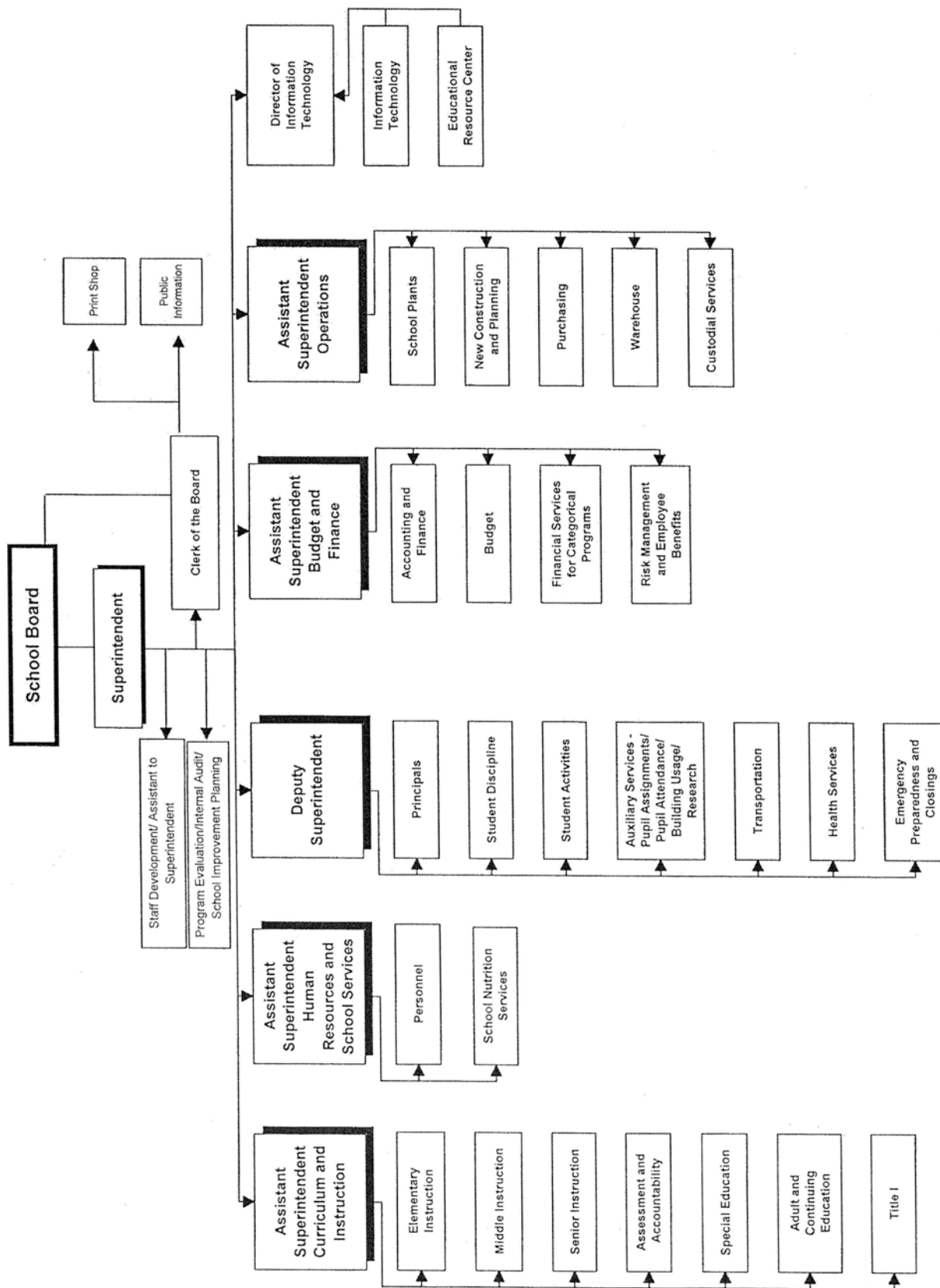
Mr. Steven M. GilbertAssistant Superintendent for Operations

Dr. Jean A. InfantinoExecutive Director of Administrative Services and Clerk of the Board

Mr. Theodore L. Faulk Administrative Director of Accounting and Finance

Mrs. Tammy H. Rodriguez..... Director of Accounting

CHESAPEAKE PUBLIC SCHOOLS ORGANIZATIONAL CHART





March 26, 2012

To the School Board of the City of Chesapeake, Virginia:

We are pleased to present the Chesapeake Public Schools (CPS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The report is designed to present fairly the financial position and results of operations of the school division in all material respects. All disclosures necessary to enable the reader to gain an understanding of the school division's financial activities have been included. CPS is a component unit of the City of Chesapeake, Virginia (the City), and, accordingly, the financial position and results of operations of CPS are also reflected in the financial statements included in the City's CAFR. The responsibility for the accuracy, completeness, and fairness of the data presented in this report, including all disclosures, rests with the management of CPS.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions and the School Board. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is intended to complement the required MD&A and is intended to accompany it. The MD&A can be found immediately following the reports of the independent auditors.

The CAFR is presented in three sections:

1. The introductory section includes the table of contents, a list of principal officials, an organizational chart, and this letter of transmittal. The introductory section is not audited.
2. The financial section begins with the independent auditors' reports. This section includes the MD&A, basic financial statements, notes to basic financial statements and required supplementary information. The basic financial statements and the notes to financial statements are audited.
3. The statistical section, which is not audited, includes selected financial, demographic information, and economic data generally presented on a multi-year basis.

School Division Organization and General Information

CPS is the seventh largest and one of the 132 school divisions in the Commonwealth of Virginia. The Chesapeake School Board consists of nine members elected at large for four-year terms. The Superintendent is appointed by the Board and is responsible for the administration of the school division. During the 2010-11 fiscal year, the school division operated twenty (20) primary/elementary schools, eight (8) intermediate schools, ten (10) middle schools, and seven (7) high schools. The school division has approximately 38,668 students and 5,723 employees.

In addition to the elementary, middle, and high schools, the school division operates a center for science and technology, an alternative school, and an adult education center. A modern bus fleet carries students safely to and from school and a school nutrition services department provides meals to students and staff.

The Chesapeake public school division has earned state, national and international recognition in such areas as forensics, music, theater, art, sports programs, career and technical education, the National Merit Scholarship Program, the Summer Residential Governor's School Program and NASA's Virtual Exploration Sustainability Challenge. In January 2011, seventeen (17) of our schools earned awards under the Virginia Index of Performance (VIP) incentive program.

The City of Chesapeake and the Services Provided

The City is centrally located in the southeast quadrant of Virginia and is bordered on the west by Suffolk, east by Virginia Beach, south by North Carolina, and north by the cities of Norfolk and Portsmouth. The City has approximately 223,647 residents and was again ranked in the "Top 100 Best Places to Live" by *Money Magazine* for 2011. The City was also included on the list of "Best Places to Raise a Family" by *Parenting Magazine*.

Protecting the residents of this 353-square-mile city is the Chesapeake Police Department and the Chesapeake Fire Department. The City provides a full range of general governmental services for its citizens to include law enforcement, fire protection, collection and disposal of refuse, 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 health and human services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

Chesapeake has more miles of deep-water canals than any other city in the nation. The Atlantic Intracoastal Waterway, which stretches from Maine to Florida, passes through Chesapeake and brings thousands of tourists through the City each year. The Dismal Swamp Canal, part of the Atlantic Intracoastal Waterway, is listed on the National Register.

The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2010 increased \$16.6 million or 0.6% from the prior year to \$2.914 billion. This stabilization is significant in contrast to declines of 4.9% and 5.8% in the two prior years.

The Chesapeake Economic Development Department's 2011 Annual Report reported significant accomplishments despite continued economic uncertainties. Chesapeake continues to progress with more than \$143 million in business investment and 1,379 jobs being generated.

Chesapeake continues to hold an AAA rating, the highest bond rating available from Fitch Ratings Service. Upon the initial rating upgrade in July 2010, Fitch stated "the City's excellent financial management and conservative debt structure" as the rationale for the top ranking.

The Reporting Entity

CPS is a component unit of the City. The City is an independent city with taxing authority within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia. The present City was formed on January 1, 1963 by the merger of Norfolk County and the City of South Norfolk. The merger created the second largest city in the Commonwealth with 353 square miles.

The City is a primary government that is financially accountable for a legally separate entity, CPS. Financial accountability exists because CPS can impose specific financial burdens on the City. The City annually appropriates to CPS the general and special revenue funds. Within the school division's budgets, the level of control by the City is at the total appropriation level. All activities over which CPS exercises financial accountability have been incorporated to form the CPS reporting entity.

Cash Management

The City's charter and state law provides that the City Treasurer is the custodian of all funds. All investment decisions are made by the City Treasurer. Cash temporarily idle is invested in demand deposits, repurchase agreements ranging from one to five days and in other instruments covered by federal depository insurance, collateralized under the Virginia Security for Public Deposits Act, or as otherwise permitted by Virginia law.

Local Economy

Situated in the southeastern portion of the state known as the Hampton Roads region, Chesapeake is located within 750 miles of two-thirds of the nation's population and industrial activity. The economic condition and outlook of the City is promising. In the past decade, Chesapeake has been one of the fastest growing cities in the nation and is listed as one of the 100 largest cities in the United States. This is primarily attributable to a diverse local and regional economy. Local unemployment for the City and the state remains below the national rate. For the fiscal year ended June 30, 2011, the average unemployment rates were 6.6% for Chesapeake (a decline from the prior year's average unemployment rate of 6.8%), 7.1% for the region and 6.5% for Virginia, compared to 9.3% for the United States.

Accomplishments

CPS has a comprehensive instructional and support program. The elementary curriculum is centered on major subject areas - reading and language arts, mathematics, science, and social studies. The emphasis is on mastering basic academic skills. In addition to the academic areas, students are provided instruction in health, physical education, and the arts. Secondary curriculum offerings include laboratory science, vocational education, and foreign languages. Accelerated, honors, and advanced placement courses are available to students who meet the criteria for advanced studies. These courses include: honors English, honors social studies, and advanced courses in mathematics and science. Also available are advanced placement courses in history, biology, calculus, and English. The secondary course curriculum is complemented by courses offered in physical education, music, and the arts, and the school division offers an International Baccalaureate program at Oscar Smith High School, a Technology Academy at Grassfield High School and the new Science and Medicine Academy at Deep Creek High School.

In the past year, CPS students achieved at a high level. In 2011, graduation ceremonies were held for 3,274 students. Of those, 54% earned Advanced Studies diplomas, 44% were honor graduates, and approximately 81% of this past year's graduates plan to attend college. Many of our graduates were awarded college scholarships that totaled approximately \$23.3 million.

The 2010-11 fiscal year was one of many accomplishments for the school division including:

- All of the public schools within the division achieved fully accredited status under the Virginia Standards of Learning and Standards of Accreditation. In addition, the school division as a whole made full state accreditation.
- The Class of 2011 outperformed the state on a key academic measure - the percentage of students graduating on-time. The on-time graduation rate is a relatively new measure that allows the state to track a graduating class through all four years of high school. The on-time graduation rate for CPS was 90.3%, while the state of Virginia average was 86.6%. CPS had the highest on-time graduation rate in the area. CPS' dropout rate of 5.65% was also lower than the statewide average of 7.2%. Again, CPS had the lowest dropout rate in the area.
- A major renovation and an addition to Western Branch High School was completed in December 2010.

- Seventeen (17) of our schools and the entire school division earned awards under the Virginia Index of Performance (VIP) incentive program. These awards recognize schools and school divisions that have met all state and federal accountability benchmarks and have made significant progress towards goals for increased student achievement and expanded educational opportunities set by the Governor and the Virginia Board of Education. We are proud that our students, staff and educational programs have received positive recognition.

For the Future

The future of CPS is guided by seven strategic goals. The goals adopted by the School Board are as follows: (1) Optimize School Safety, (2) Ensure Rigorous Educational Standards, (3) Evaluate Effectiveness and Efficiency, (4) Optimize the Management of Human Resources and Ensure Effective Staff Development, (5) Optimize the Use of Technology, (6) Enhance Parental and Community Involvement, and (7) Provide Optimal School Facilities. These seven goals provide the framework for the current and future initiatives of the school division as well as the framework for managing the division during the current economic downturn. Despite the economic decline, the school division will continue to emphasize the following initiatives to support the seven strategic goals during the 2011-12 fiscal year:

- **Financial Management** - During these difficult economic times, CPS will continue to practice sound fiscal management while maintaining the focus on our core mission - student learning and achievement. To this end, continued emphasis on the monitoring of revenue and expenditures by carefully reconciling our operating, categorical, and capital budgets will occur.
- **Human Resources/Employee Salaries and Benefits** - More than a decade ago, the School Board established a goal of reaching the national average for teacher salaries, and eventually reached the goal. These difficult economic times place the ability to maintain this accomplishment at risk. To remain the school division of choice in the South Hampton Roads area, CPS must continue to attract and retain quality personnel. To this end, the competitiveness of all salary scales will be examined. Another key initiative during the 2011-2012 fiscal year will be the final selection and beginning of the implementation of a Human Resources Management System (HRMS). Updating our HRMS will not only provide better service but will enhance data collection and accuracy for the various reports that are required at the state and national levels. In addition, the development of a comprehensive records management plan will be undertaken. The focus on this task has been strengthened with the assistance of technology, allowing processes in this area to be better aligned with state and federal guidelines. Lastly, as required by the Virginia Department of Education, a teacher/principal evaluation model will be developed to meet the standards that all school divisions agreed to upon acceptance of federal stimulus funds.
- **School Facilities** - All students have a right to resources and facilities that are conducive to learning. Therefore, energy conservation methods will be continued and enhanced where necessary. It is imperative that practices in place are monitored while seeking to identify other best practices which help to reduce consumption. To this end, an Energy Management position will continue and head a committee tasked with researching the market and monitoring CPS energy consumption, all with the goal of reducing energy costs for the school system while providing a safe and inviting environment for students and staff. CPS will investigate expanded uses of Geographic Information Systems (GIS) to capture and layer data in such a way to make it a valuable management tool. GIS is currently used to maintain student demographic and real estate information, and could possibly be used in the future to schedule classes at the high school level, provide school floor plan information, and integrate the school's inventory into a pictorial presentation. Finally, the process used to determine building capacities will be reviewed in 2011-2012. A review of literature will be conducted to validate our current processes or identify more efficient means of determining building capacities.

- **School Safety** - The first and most important responsibility is to ensure safety in our schools. In support of this ongoing focus on school safety, this year CPS will continue the anti-bullying efforts in our schools. In 2010-2011, all schools prepared a summary of the steps being taken to prevent or address bullying. In 2011-2012, all schools will update and revise this information, as appropriate, and the information will be compiled for review by the Office of Pupil Discipline. Schools will also be asked to examine the effectiveness of current anti-bullying interventions and to determine if interventions employed at other schools might be effective with their school's population. In addition, continued coordination of safety-related initiatives will continue, including cooperative work with the City regarding emergency shelter openings and school closures, digital camera systems on school buses, the LobbyGuard school visitor management system, and the Parent Alert System (PAS). Finally, CPS will continue to enforce our policies related to student enrollment. To enhance the accuracy of communication with parents regarding "residing with" (R/W) status, a revised R/W form will be implemented. The effectiveness and proficiency of the investigation process will be strengthened through the implementation of a monthly rotational schedule for the investigators who visit R/W families for verification purposes.
- **Increasing Pupil Achievement** - Improving student learning and achievement is the sole reason for the existence of our school division, so CPS must keep the focus on this mission. We seek to bring out the masterpiece in every child in our city. Therefore, CPS will maintain our annual focus on taking our students to higher levels of achievement in order to maintain full accreditation, increase the graduation rate, and to decrease the dropout rate. To assist in accomplishing our goals, we will maintain our focus on programs to enhance student achievement. For example, three of our high schools are implementing freshmen transition programs specifically designed to support students identified as most at-risk of not graduating. We will continue to support three academies, including our new Science and Medicine Academy at Deep Creek High School. Also, efforts are being made to enhance consistency in our middle schools. Finally, in 2011-2012, we will continue our training program for teachers who serve identified gifted students, and we will continue the implementation of our Enhanced Student and Teacher Assistance Teams (ESTAT) and literacy initiatives. ESTAT is an "all-children" initiative that includes the provision of research-based instruction and interventions for struggling learners, including those with special needs. Collaborative literacy visits will be continued with school-based literacy leaders to engage them in focused dialogue on strategies for achieving higher levels of success in the area of literacy.
- **Technology** - Our technological world is constantly changing, and we must strive to keep pace if our students are to be well-prepared for the future. To this end, CPS will expand the use of alternative methods for delivery of instruction, such as "virtual schools." CPS also has a growing distance learning program that will be expanded into our middle schools as much as funding will allow. CPS will also utilize technology to implement new enterprise systems that will be utilized across the entire school division. As discussed above, CPS will begin implementing a new HRMS as well as BoardDocs, an electronic School Board data management system in 2011-2012. While the work to implement these systems is significant, the expectations for a high-performing school system and the rapid advancements in technology require us to update our processes. Additionally, another area of emphasis will be to monitor School Board policies to ensure alignment with changing technologies. One example of this is the e-Reader policy. CPS is working on a process to regularly review all policies for updates and additions in line with state-mandated requirements. Lastly, CPS will also review our current process for entry of student data. As the state continues to require that vital data be submitted to them using electronic databases, CPS must ensure that our information is accurate. To assist in this process, our Program Evaluation team will examine the processes used to enter the initial student enrollment data and to make subsequent changes in data for current students. The results of this review will assist us in continuing to provide the support and monitoring to ensure the accuracy of our electronic databases.

- **Community Involvement** - It is a firm belief that anywhere you find a highly successful school system, you will also find a community that believes in education and actively supports its schools. We are fortunate that Chesapeake is this kind of community. In the coming year, we will maintain our focus on community involvement by continuing the implementation of the school division's Communications Plan. This includes our goal of soliciting feedback from the public to enhance communications between entities as well as improve effectiveness of our school division. One method by which we plan to make progress on this goal is to reestablish the Superintendent's Planning Council. This open forum will allow CPS to gather vital community feedback that will support efforts to enhance the quality of education in our City. It will also be an opportunity to showcase the many positive things that happen daily in our schools. In keeping with the rapid technological changes that were mentioned above, CPS will also use technology to enhance community involvement. For example, an additional way to improve the quality of communication is the implementation of an electronic School Board data management system called BoardDocs. BoardDocs will improve the way we manage our School Board agenda packets, provide Board members and the public better access to information, and eventually manage our policy manual. The additional resources provided by BoardDocs will enhance our meetings, as well as provide archive and research abilities which will save time and assist Board members in fulfilling their duties. Finally, we will complete the district accreditation process offered through the Southern Association of Colleges and Schools (SACS). All of the schools in the division have earned and maintained regional accreditation through SACS as part of the CPS school improvement planning initiative that began in 1995. To maintain SACS accreditation, schools have been required to develop five-year school improvement site plans and undergo external review team visits every five years. The Southern Association of Colleges and Schools now offers a district accreditation model for divisions such as ours that have a comprehensive planning process for continuous improvement solidly in place. In 2011-2012, CPS will make the transition from the individual school accreditation model to the districtwide accreditation model. District accreditation is an ongoing process of meeting high standards, engaging in continuous improvement, and demonstrating quality assurance through internal and external review.

Accounting System and Budgetary Control

CPS management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school division 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 GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that CPS' management objectives are met. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits to be derived from their implementation. CPS uses a modern automated accounting system that, coupled with the manual auditing of selected transactions, ensures that financial information is both accurate and reliable.

CPS maintains internal controls at a budgetary level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and City Council. Activities of the general and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects fund. The level of budgetary control - the level at which expenditures cannot legally exceed the appropriated amount - is established by function and activity within the fund. The school division also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end but are generally re-appropriated as part of the following year's budget.

Financial Condition

CPS is a component unit of the City, and the City is the legal holder of most debt related to the acquisition of school facilities. The City is considered to be in sound financial condition with a restricted fund balance totaling \$30.7 million for General Fund cash flow emergencies (6% of revenue as required by City Charter). The City has no restrictions on raising taxes. During the 2010-11 fiscal year, 40.6% of the school division's General Fund revenue was provided from the City's general fund.

Risk Management

The school division purchases insurance from the commercial market for general and auto liability. With regard to workers' compensation, the school division is self-insured. The school division's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the school division.

Prospects for the Future

Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, availability of land, and good transportation system 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, as per the U.S. Census Bureau, to 118,316 in June 2011 as per the U.S. Bureau of Labor Statistics. This is an increase of 22.9% over the period.

Total school membership in FY 2010-11 was 38,668, representing a decline of 196 students from the previous year. While a slight increase of 20 students is anticipated over the next 5 years (FY 2012-17), current projections of future growth from births and new residential housing indicate that enrollment will increase by 550 students from FY 2017-22. Therefore, for the 10-year period, it is projected that CPS will gain a net of 570 students and the school population is projected to remain between 38,550 and 39,120 during this period. As we continue to manage the fluctuations in school population, the school division will be seeking new and better ways to improve the quality of the schools in every aspect so that students may have the opportunity to achieve to their fullest potential in Chesapeake.

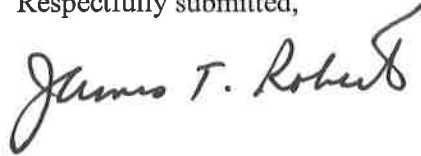
Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the school division has been performed by Cherry, Bekaert and Holland, L.L.P, Certified Public Accountants. The auditors' reports, which include their unqualified opinion on the basic financial statements of the school division, are contained in this report.

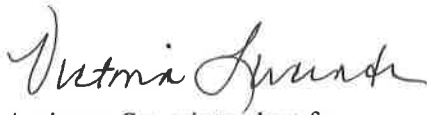
Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Accounting. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School System in a responsible and progressive manner.

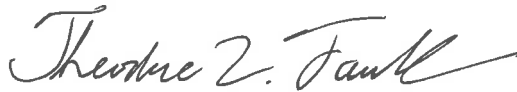
Respectfully submitted,



Superintendent



Assistant Superintendent for
Budget and Finance



Administrative Director of
Accounting and Finance



Director of Accounting

FINANCIAL SECTION



Independent Auditors' Report

Members of the School Board
Chesapeake Public Schools
Chesapeake, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chesapeake Public Schools (School Board), a component unit of the City of Chesapeake, Virginia, as of and for the year ended June 30, 2011 which collectively comprise the School Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Activity Funds of the Chesapeake Public Schools, which represents 100% of the assets of the agency funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Activity Funds of the Chesapeake Public Schools, is based on the report 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Chesapeake Public Schools as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of the Chesapeake Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 13, the budgetary comparison schedules of the general fund and major annually budgeted special revenue funds, and the other required supplementary information included in Exhibits VII through XIII as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Chesapeake Public Schools' basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Cheryl A. Schmitt". The signature is fluid and cursive, with the first name "Cheryl" being more prominent than the last name "Schmitt".

Virginia Beach, Virginia
March 26, 2012



**Independent Auditors' 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**

Members of the School Board
Chesapeake Public Schools
Chesapeake, Virginia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chesapeake Public Schools (the School Board), a component unit of the City of Chesapeake, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the Activity Funds of the Chesapeake Public Schools, which represents 100% of the assets of the agency funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Activity Funds of the Chesapeake Public Schools, is based on the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's basic 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 noted certain other matters that we reported to management of Chesapeake Public Schools in a separate letter dated March 26, 2012.

This report is intended solely for the information and use of management, the School Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Cherry, DeKant & Holland, LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
March 26, 2012

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Management's Discussion and Analysis (Unaudited)
June 30, 2011

This discussion and analysis of Chesapeake Public Schools' (CPS) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2011. The analysis focuses on CPS' financial performance as a whole. Please read it in conjunction with CPS' financial statements.

Financial Highlights for FY 2011

- During 2011, CPS implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which recognizes constraints imposed upon the use of the resources in governmental funds and categorizes the funds into five classifications based upon the nature of those constraints.
- CPS' liabilities, on a government-wide basis, exceeded its assets by \$12.2 million (net deficit) at the end of fiscal year 2011. This was directly related to an increase in the Net OPEB Obligation of \$49.1 million.
- CPS' financial status, as reflected in total net assets (deficit), decreased by \$47.0 million or 135.3% from the prior year. Of the total net assets, \$22.1 million of net assets are restricted for ongoing capital projects that consist primarily of various school construction and renovation projects and \$166.6 million is invested in capital assets. Offsetting these amounts is an unrestricted net deficit that totals a negative \$200.9 million.
- On the statement of net assets - governmental activities, total liabilities at June 30, 2011 totaled \$304.1 million, representing a \$48.2 million increase primarily in long-term liabilities. The bulk of the current liabilities of \$47.5 million relate to accounts payable, accrued payroll and claims payable while the majority of the non-current liabilities totaling \$256.6 million relate to the net OPEB obligation for post-employment benefits for our employees (\$204.4 million). Non-current liabilities also include amounts for compensated absences, claims payable and capital leases.
- At the end of FY 2011, CPS' governmental funds reported combined ending fund balances of \$66.1 million. This represented a decrease of \$17.8 million when compared to the prior year.
- The general fund, on a current financial resources basis, reported an excess of revenue and other financing sources over expenditures and other financing sources of \$3.5 million. This was primarily the result of an overall increase in revenues of approximately \$3.4 million. Specifically, federal revenues increased by \$16.7 million and local, state and other revenues decreased by \$4.4 million, \$8.4 million and \$515,000 respectively. Expenditures remained relatively flat as a result of several measures that were put in place to control and reduce expenditures in fiscal year 2011.
- On the statement of revenues, expenditures, and changes in fund balances - governmental funds, the schools' food services fund and the school textbook fund experienced an increase in fund balance and the capital projects fund experienced a decrease in fund balance. The increase in the schools' food services fund balance of approximately \$878,000 was related to an effort to control and reduce expenditures in response to a reduction in revenues. The slight increase in the school textbook fund balance of approximately \$83,000 was due to a decrease in the amount of textbook expenditures since there was not a major textbook adoption in fiscal year 2011. The capital projects fund decrease of \$22.2 million was due to the use of bond proceeds and other revenues restricted for ongoing construction projects (i.e., HVAC, roofs, renovation/additions).
- Total intergovernmental revenue for the governmental funds was \$419.0 million. Of that, \$171.3 million was from the City of Chesapeake (the City), \$197.8 million was state aid from the Commonwealth of Virginia, and \$49.1 million was from the federal government.

CHESAPEAKE PUBLIC SCHOOLS
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Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to CPS' basic financial statements.

The basic financial statements consist of two kinds of statements that present different views of CPS' financial activities.

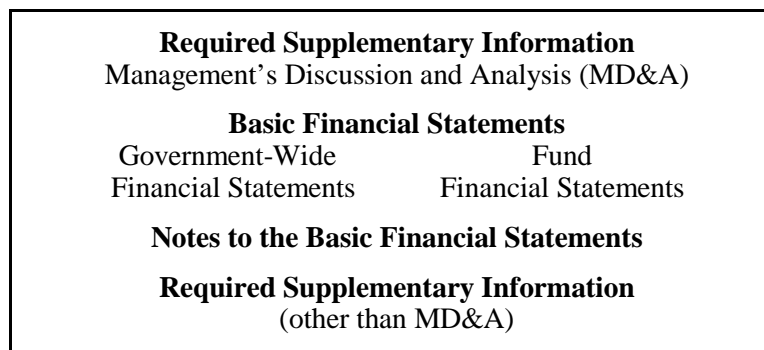
The statement of net assets and statement of activities provide information on a government-wide basis. The statements present an aggregate view of CPS' finances. Government-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of CPS. Fund statements generally report operations in more detail than the government-wide statements.

The notes to basic financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of CPS' financial activities and position. The required supplementary information further explains and supports the basic financial statements.

The following diagram shows how the various parts of the financial section are arranged and related to one another.

FINANCIAL SECTION



Government-Wide Financial Statements

The government-wide financial statements report information about CPS as a whole using accounting methods similar to those used by private-sector companies. The two statements - statement of net assets and statement of activities - report CPS' net assets and how they have changed. Net assets, the difference between CPS' assets and liabilities, are one way to measure CPS' overall financial position.

Increases or decreases in CPS' net assets are one indicator of whether its financial position is improving or worsening, respectively.

To assess the overall financial position of CPS, additional non-financial factors, such as changes in the City's property tax base and the condition of school buildings and other facilities, should be considered.

CHESAPEAKE PUBLIC SCHOOLS
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In the government-wide financial statements, the activities are divided into two categories - governmental activities and business-type activities. CPS reports only activities related to governmental activities since it has no business-type activities.

Governmental activities – CPS' basic services are included here, such as instruction, administration, attendance and health, pupil transportation, operation and maintenance of school buildings, summer school, adult education, and food services. City appropriations and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about CPS' funds, focusing on its most significant or "major" funds, not CPS as a whole. Funds are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. CPS' fund financial statements provide detailed information about CPS' most significant funds.

CPS utilizes two types of funds:

Governmental Funds - Most of CPS' activities are reported in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances left at year-end available for spending in future periods. The governmental fund statements provide a detailed short-term view of CPS' general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Governmental fund information does not report on long-term commitments as is reported on the government-wide statements. Therefore, the relationships (or differences) between the government-wide statements and the governmental funds are reconciled and explained at the bottom of the governmental funds statements.

Fiduciary Funds - CPS 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. CPS is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These activities are reported in a separate statement of fiduciary net assets. CPS excludes these activities from its government-wide financial statements because CPS cannot use these assets to finance its operations. CPS includes in its fiduciary fund statements the Student Activity Fund, which accounts for the student activity monies maintained on behalf of the students by the Principals at each school. The Student Activity Fund is accounted for as an Agency Fund. CPS also includes in its fiduciary fund statements the Schools' Other Post-Employment Benefits (OPEB) Trust Fund. This fund accounts for assets accumulated to fund other post-employment benefit obligations of CPS.

Financial Analysis of CPS as a Whole

Table 1 provides a comparison of total net assets for governmental activities at June 30, 2010 and 2011. At June 30, 2011, total assets were \$291.8 million, which represents a 0.4% increase over the previous fiscal year. The majority of the increase in total assets is related to school capital assets as a result of construction of major additions/renovations to Western Branch High School and Indian River High School and HVAC and roofing improvements at various schools. Offsetting the increase is a decrease in restricted cash and temporary investments as a result of the use of funds to support the capital asset expenditures discussed above. Total liabilities equaled \$304.1 million, representing a \$48.2 million increase or 18.8% over the previous fiscal year. The increase on total liabilities is primarily the result of the net OPEB obligation increase of \$49.1 million.

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CPS experienced a net deficit of \$12.2 million in fiscal year 2011. This represents a decrease in net assets of approximately 135.3% when compared to fiscal year 2010. The net deficit is primarily related to the increase in the net OPEB obligation of \$49.1 million. Restricted net assets totaled \$22.1 million while unrestricted net assets remain negative due to the continued investment in capital assets and the unfunded long-term liabilities. This is not expected to impact CPS negatively due to the large amount invested in capital facilities and since CPS receives funding annually from the City, the Commonwealth of Virginia, and the federal government to pay liabilities as they become due. However, CPS will develop and implement several strategies to reduce the net OPEB obligation with the intention to reinstate a positive net asset balance in upcoming fiscal years.

Table 1
Condensed Summary of Net Assets at June 30, 2010 and 2011

	2010	2011	Change
Current assets	\$ 134,898,583	\$ 117,103,366	-13.2%
Capital assets, net	155,804,245	174,785,446	12.2%
Total assets	<u>\$ 290,702,828</u>	<u>\$ 291,888,812</u>	0.4%
Current liabilities	\$ 47,448,557	\$ 47,547,043	0.2%
Non-current liabilities	53,186,951	52,156,964	-1.9%
Net OPEB obligation	155,334,678	204,431,601	31.6%
Total liabilities	<u>\$ 255,970,186</u>	<u>\$ 304,135,608</u>	18.8%
Net assets:			
Invested in capital assets, net of related debt	\$ 145,437,765	\$ 166,568,308	14.5%
Restricted for capital projects	44,293,952	22,133,039	-50.0%
Unrestricted	(154,999,075)	(200,948,143)	-29.6%
Total net assets	<u>\$ 34,732,642</u>	<u>\$ (12,246,796)</u>	-135.3%

Table 2 shows the change in net assets. In the area of program revenue, the majority of the funding was from operating grants and contributions. The majority of that funding was categorical revenue from the state and federal government. The majority of the charges for services revenue came from local lunch sales in the cafeterias (food services fund).

In the area of general revenue, the majority of the funding came from the City in the form of local funding and from the Commonwealth of Virginia in the form of state basic aid, sales tax, lottery and standards of quality funds.

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June 30, 2011

School divisions are people-intensive operations. As such, personnel-related costs comprise the majority of program expenses. As would be expected, expenses for instruction were the largest category of expense in 2011, the majority of which were personnel related. This was followed by operations and maintenance and transportation expenses. The decrease in net assets is primarily attributable to an increase in the net OPEB obligation of \$49.1 million.

Table 2
Summary of Changes in Net Assets - Governmental Activities
Years Ended June 30, 2010 and 2011

	<u>2010</u>	<u>2011</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 7,245,368	\$ 7,243,389	0.0%
Operating grants and contributions	82,506,111	94,135,909	14.1%
Capital grants and contributions	955,420	1,125,139	17.8%
General revenue:			
Interest and investment earnings	1,105,263	591,149	-46.5%
Grants and contributions not restricted to specific programs	155,771,193	152,297,184	-2.2%
Payment from primary government	205,717,540	171,309,720	-16.7%
Miscellaneous	1,363,181	1,065,443	-21.8%
Total revenues	<u>454,664,076</u>	<u>427,767,933</u>	-5.9%
Program expenses:			
Administration	9,043,438	8,499,835	-6.0%
Instruction	369,973,636	362,305,236	-2.1%
Attendance and health services	6,413,977	5,895,342	-8.1%
Pupil transportation	27,219,922	27,920,989	2.6%
Operation and maintenance	42,198,264	42,193,799	0.0%
School facilities services	872,365	745,668	-14.5%
School technology services	15,803,752	12,731,689	-19.4%
Food services	13,134,230	12,797,151	-2.6%
Interest on long-term liabilities	453,187	373,239	-17.6%
Payment to primary government for return of interest income	960,855	541,907	-43.6%
Capital outlay	-	742,516	100.0%
Total program expenses	<u>486,073,626</u>	<u>474,747,371</u>	-2.3%
Decrease in net assets	<u>\$ (31,409,550)</u>	<u>\$ (46,979,438)</u>	-49.6%

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Governmental Activities

Table 3 presents the cost of the major CPS activities: administration, instruction, attendance and health, pupil transportation, operation and maintenance of school plant, facilities, technology, food services, interest on long-term liabilities, and payments to primary government for interest income and capital outlay. The table also shows each activity's net cost (total cost less fees generated by the charges for services, operating grants and contributions, and capital grants and contributions). The net cost identifies the cost of services supported by city tax revenues and unrestricted state and federal entitlements.

Table 3
Total and Net Cost of Program Services
Years Ended June 30, 2010 and 2011

	Total Cost			Net Cost		
	of Program Services		%	of Program Services		%
	2010	2011	Change	2010	2011	Change
Administration	\$ 9,043,438	\$ 8,499,835	-6.0%	\$ 9,043,438	\$ 8,499,835	-6.0%
Instruction	369,973,636	362,305,236	-2.1%	291,975,314	273,093,473	-6.5%
Attendance and health services	6,413,977	5,895,342	-8.1%	5,980,033	5,273,777	-11.8%
Pupil transportation	27,219,922	27,920,989	2.6%	27,188,615	27,889,205	2.6%
Operation and maintenance	42,198,264	42,193,799	0.0%	41,065,597	41,149,852	0.2%
School facilities services	872,365	745,668	-14.5%	872,365	745,668	-14.5%
School technology services	15,803,752	12,731,689	-19.4%	15,803,752	12,731,689	-19.4%
Food services	13,134,230	12,797,151	-2.6%	2,023,571	1,201,773	-40.6%
Interest on long-term liabilities	453,187	373,239	-17.6%	453,187	373,239	-17.6%
Payment to primary government for returning interest income	960,855	541,907	-43.6%	960,855	541,907	-43.6%
Capital outlay	-	742,516	100.0%	-	742,516	100.0%
Total program expenses	<u>\$ 486,073,626</u>	<u>\$ 474,747,371</u>	-2.3%	<u>\$ 395,366,727</u>	<u>\$ 372,242,934</u>	-5.8%

The net cost of all governmental activities in fiscal year 2011 was \$372.2 million. The amount that the citizens of Chesapeake paid for these activities through city taxes was \$171.3 million. State and federal revenues that paid for the cost of governmental activities totaled \$152.3 million.

Financial Analysis of CPS Funds

The focus of CPS' governmental funds is on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of CPS' net resources available for spending at the end of the fiscal year. As CPS completed the year, its governmental funds reported combined fund balances of \$66.1 million, a decrease of 21.3%. Approximately 95.5% of this amount (\$63.1 million) constitutes restricted fund balance. The items that comprise restricted fund balance include amounts to: (1) fund capital projects (\$22.1 million), (2) support schools' food services activities (\$1.6 million), (3) fund future textbook purchases (\$10.8 million), (4) fund future insurance premiums and expenditures for CPS' self-insured health, dental and workers' compensation programs (\$21.7 million) and (5) support technology initiatives (\$268,000) and (6) fund instruction-related activities (\$6.7 million). All of the governmental funds are accounted for using the modified accrual basis of accounting.

CHESAPEAKE PUBLIC SCHOOLS
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Management's Discussion and Analysis (Unaudited)
June 30, 2011

General Fund Highlights

Table 4
General Fund Revenues and Expenditures
Year Ended June 30, 2011

Revenues:	
City of Chesapeake	\$ 166,393,904
Commonwealth of Virginia	197,550,896
Federal government	42,682,983
Charges for services, interest and miscellaneous	3,292,990
Total revenues	<u><u>\$ 409,920,773</u></u>
Expenditures:	
Administration	\$ 7,486,758
Instruction	316,175,515
Attendance and health services	5,125,814
Pupil transportation	24,199,725
Operations and maintenance	38,787,776
School facilities services	653,816
School technology services	11,156,090
Debt service	2,557,533
Payment to primary government - return of interest income	252,124
Total expenditures	<u><u>\$ 406,395,151</u></u>

The CPS' budget is prepared in accordance with Virginia School Laws. On a fund basis, general fund revenues (\$409.9 million) exceeded expenditures (\$406.4 million) by \$3.5 million due to several measures (i.e., hiring freeze, reductions in personnel positions, delaying certain purchases to a future date, etc.) that were put in place to control and reduce expenditures. This was in response to the reduction in state and local revenue as a result of the general economic downturn that the country experienced in fiscal year 2011.

Total intergovernmental revenue received was \$22.8 million less than both the original and amended budgets due primarily to lower than anticipated state and federal revenues. During fiscal year 2011, the state revenue appropriation was lowered by \$4.3 million. The reduction in the appropriations by the state government was in response to the sharp decline in their revenue collections for the year. Federal revenues collected were approximately \$14.0 million less than the original budget and \$18.3 million less than the amended budget as a result of the allocation of ARRA and NCLB reimbursable-type grants that are not required to be spent until September 30, 2011 or later. These amounts were not fully expended during 2011 and, accordingly, revenues were not received for those grants.

Actual expenditures were \$26.3 million less than the original budget and \$30.1 million less than the amended budget. Expenditures were lower than budgeted amounts as a result of the revenue shortfalls at the state level which required CPS to reduce expenditures accordingly. In addition, the NCLB and ARRA grant funds that were not fully expended because their period of availability extended through September 30, 2011 or later also attributed to CPS expending less than the amended budget.

CHESAPEAKE PUBLIC SCHOOLS
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Management's Discussion and Analysis (Unaudited)
June 30, 2011

Capital Assets

At the end of fiscal year 2011, before depreciation, CPS had \$235.1 million of capital assets including land, buildings, and furniture and equipment. All are attributable to governmental activities. Total accumulated depreciation on these assets was approximately \$60.3 million. Major capital asset events during the current fiscal year included the following:

- ♦ Continuation of the renovation and addition to Western Branch High School;
- ♦ Began construction activities for the renovation and modernization of Indian River High School;
- ♦ HVAC modernization and replacements at numerous schools; and
- ♦ Roofing projects at several schools.

As of June 30, 2011, CPS had \$28.5 million in funds encumbered for projects to be completed during the next 12 months. More detail regarding CPS capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Long-term liabilities at the end of fiscal year 2011 were \$256.6 million. Of this amount, \$3.7 million is due within one year and \$252.9 million is due in greater than one year.

The significant portions of long-term liabilities include \$204.4 million in other post-employment benefits, \$38.0 million in compensated absences, \$8.2 million in equipment capital leases and \$5.8 million in claims payable related to potential workers' compensation claims.

Additional information on the Schools' long-term liabilities is presented in note 5 to the basic financial statements. Under Virginia law, certain property maintained by CPS is subject to tenancy in common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. Therefore, long-term liabilities related to the acquisition of capital assets are shown on the City's financial statements.

Other Major Funds

The Schools' Food Services Fund reported a fund balance of \$2.0 million, an increase of approximately \$878,000 from the previous fiscal year. The increase was related to an effort to control and reduce expenditures in response to a reduction in revenue and the effects of the economic downturn.

The School Textbook Fund reported a fund balance of \$10.8 million, representing a slight increase of approximately \$83,000 when compared to the previous fiscal year fund balance. The increase in fund balance was due to a decrease in the amount of textbook expenditures since there was not a major textbook adoption in fiscal year 2011.

The Capital Project Fund reported a fund balance of \$22.1 million which represented a decrease of \$22.2 million over the previous fiscal year fund balance. This increase was due to the use of bond proceeds and other revenues restricted for ongoing construction projects (i.e., HVAC, roofs, renovations/additions).

CHESAPEAKE PUBLIC SCHOOLS
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Management's Discussion and Analysis (Unaudited)
June 30, 2011

Factors Influencing Future Budgets

- ♦ The downturn in the state and national economy and projected decreases in revenue over the next several years.
- ♦ The conclusion of the Federal government's American Recovery and Reinvestment Act (ARRA) funding that was available for fiscal years 2010 and 2011. ARRA funding was utilized by the State of Virginia in fiscal years 2010 and 2011 to replace the reductions in state funding that CPS experienced in those years. Beginning in fiscal year 2012, CPS will need to identify significant funding sources to replace the ARRA funds utilized in fiscal years 2010 and 2011. As a result, the school division will face major decisions regarding funding of its operations in the coming years.
- ♦ The receipt of funding under the Federal Education Jobs Fund that is available for fiscal years 2011 and 2012. School divisions must use these funds only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. Beginning in fiscal year 2013, CPS will need to identify significant funding sources to replace the Education Jobs funds utilized in fiscal year 2012.
- ♦ Student enrollment decreased by a total of 196 students in fiscal year 2011. In addition, enrollment is projected to increase by 20 students over the next five years (2012-17). Enrollment is then projected to increase by 550 students from 2017-22, resulting in a net increase of 570 students over the 10-year period.
- ♦ The need to maintain and modernize the infrastructure of existing facilities to include additions, renovations, HVAC replacements, roof replacements, and technology upgrades.
- ♦ Increases in the costs for the Virginia Retirement System, health and dental coverage.
- ♦ The implementation of strategies to reduce the Net OPEB Obligation and the OPEB Unfunded Actuarial Accrued Liability (UAAL).

Economic Factors

The State of Virginia, Chesapeake Public Schools and the City of Chesapeake are affected by national economic conditions and are being adversely affected in the current economic downturn that the nation as a whole is experiencing. The school division will continue to monitor revenues and expenditures closely in order to proactively address the changing economic climate and its effect on the school division as a whole.

Contacting the Chesapeake Public Schools Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Office at Chesapeake Public Schools, 312 Cedar Road, Chesapeake, Virginia 23322, and telephone 757-547-0465.

Basic Financial Statements

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Statement of Net Assets – Governmental Activities
June 30, 2011

Assets	
Cash and temporary investments (note 3)	\$ 50,348,264
Receivables	322,075
Due from federal government	28,435,556
Due from Commonwealth of Virginia	10,411,512
Inventory	1,227,720
Prepaid interest	7,587
Restricted cash and temporary investments (note 3)	26,350,652
Capital assets, net (notes 4 and 5)	<u>174,785,446</u>
Total assets	<u><u>\$ 291,888,812</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable to vendors	\$ 7,141,334
Accrued payroll	32,523,777
Claims payable	7,881,932
Noncurrent liabilities (notes 5, 6 and 8):	
Due within one year	3,703,044
Due in more than one year	48,453,920
Net OPEB Obligation (notes 5 and 9)	<u>204,431,601</u>
Total liabilities	<u>304,135,608</u>
Net assets:	
Invested in capital assets, net of related debt	166,568,308
Restricted for capital projects	22,133,039
Unrestricted deficit	<u>(200,948,143)</u>
Total net assets (deficit)	<u>(12,246,796)</u>
Total liabilities and net assets	<u><u>\$ 291,888,812</u></u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Statement of Activities – Governmental Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 8,499,835	—	—	—	(8,499,835)
Instruction	362,305,236	960,147	87,126,477	1,125,139	(273,093,473)
Attendance and health services	5,895,342	—	621,565	—	(5,273,777)
Pupil transportation	27,920,989	31,784	—	—	(27,889,205)
Operations and maintenance	42,193,799	1,043,947	—	—	(41,149,852)
School facilities services	745,668	—	—	—	(745,668)
School technology services	12,731,689	—	—	—	(12,731,689)
Food services	12,797,151	5,207,511	6,387,867	—	(1,201,773)
Interest on long-term liabilities	373,239	—	—	—	(373,239)
Payment to primary government for returning interest income	541,907	—	—	—	(541,907)
Capital outlay	742,516	—	—	—	(742,516)
Total	<u>\$ 474,747,371</u>	<u>7,243,389</u>	<u>94,135,909</u>	<u>1,125,139</u>	<u>(372,242,934)</u>
General revenues:					
Interest					591,149
Grants and contributions not restricted to specific programs					152,297,184
Payment from primary government					171,309,720
Miscellaneous					<u>1,065,443</u>
Total					<u>325,263,496</u>
Change in net assets					(46,979,438)
Net assets – beginning of year					<u>34,732,642</u>
Net assets (deficit) – end of year					<u>\$ (12,246,796)</u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Balance Sheet – Governmental Funds

June 30, 2011

	General	Schools' Food Services	School Textbook	Capital Projects	Total Governmental Funds
Assets					
Cash and temporary investments (note 3)	\$ 37,929,403	1,628,954	10,789,907	—	50,348,264
Receivables	227,232	59,616	35,227	—	322,075
Due from federal government	28,036,693	398,863	—	—	28,435,556
Due from Commonwealth of Virginia	10,411,512	—	—	—	10,411,512
Inventory	836,324	391,396	—	—	1,227,720
Restricted cash and temporary investments (note 3)	—	—	—	26,350,652	26,350,652
	<u>\$ 77,441,164</u>	<u>2,478,829</u>	<u>10,825,134</u>	<u>26,350,652</u>	<u>117,095,779</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 34,913,343	462,367	71,788	4,217,613	39,665,111
Claims payable	7,881,932	—	—	—	7,881,932
Deferred revenue	3,486,796	—	—	—	3,486,796
Total liabilities	<u>46,282,071</u>	<u>462,367</u>	<u>71,788</u>	<u>4,217,613</u>	<u>51,033,839</u>
Fund balances:					
Nonspendable:					
Inventory	836,324	391,396	—	—	1,227,720
Restricted:					
Capital Projects	—	—	—	22,133,039	22,133,039
Food services	—	1,625,066	—	—	1,625,066
School textbook	—	—	10,753,346	—	10,753,346
Future health, dental, worker's compensation	21,672,342	—	—	—	21,672,342
Technology	268,480	—	—	—	268,480
Instruction	6,656,894	—	—	—	6,656,894
Assigned to:					
Instruction	1,725,053	—	—	—	1,725,053
Unassigned:	—	—	—	—	—
Total fund balances	<u>31,159,093</u>	<u>2,016,462</u>	<u>10,753,346</u>	<u>22,133,039</u>	<u>66,061,940</u>
	<u>\$ 77,441,164</u>	<u>2,478,829</u>	<u>10,825,134</u>	<u>26,350,652</u>	
Adjustments for the statement of net assets:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					174,785,446
Long-term liabilities are not reported as liabilities in the governmental funds.					(52,156,964)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(204,431,601)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					7,587
Assets are not available to pay current period expenditures and, therefore, are offset by deferred revenue in the funds.					3,486,796
Net assets (deficit) of governmental activities					<u>\$ (12,246,796)</u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2011

	<u>General</u>	<u>Schools' Food Services</u>	<u>School Textbook</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:					
Intergovernmental:					
From City of Chesapeake	\$ 166,393,904	—	—	4,915,816	171,309,720
From Commonwealth of Virginia	197,550,896	208,083	—	—	197,758,979
From Federal government	42,682,983	6,387,867	—	—	49,070,850
Donated commodities from Federal government	—	836,231	—	—	836,231
Total intergovernmental	406,627,783	7,432,181	—	4,915,816	418,975,780
Charges for services	2,035,878	5,207,511	—	—	7,243,389
Interest	252,124	4,078	45,164	289,783	591,149
Miscellaneous	1,004,988	52,639	41,571	—	1,099,198
Total revenues	409,920,773	12,696,409	86,735	5,205,599	427,909,516
Expenditures:					
Education:					
Administration	7,486,758	—	—	—	7,486,758
Instruction	316,175,515	—	3,662	—	316,179,177
Attendance and health services	5,125,814	—	—	—	5,125,814
Pupil transportation	24,199,725	—	—	—	24,199,725
Operations and maintenance	38,787,776	—	—	—	38,787,776
School facilities services	653,816	—	—	—	653,816
School technology services	11,156,090	—	—	—	11,156,090
Total education	403,585,494	—	3,662	—	403,589,156
Food services	—	11,857,855	—	—	11,857,855
Debt service	2,557,533	—	—	—	2,557,533
Payment to primary government – return of interest income	252,124	—	—	289,783	541,907
Capital outlay	—	—	—	27,076,729	27,076,729
Total expenditures	406,395,151	11,857,855	3,662	27,366,512	445,623,180
Excess (deficiency) of revenues over expenditures	3,525,622	838,554	83,073	(22,160,913)	(17,713,664)
Net change in fund balances	3,525,622	838,554	83,073	(22,160,913)	(17,713,664)
Fund balances at beginning of year	27,780,249	1,138,293	10,670,273	44,293,952	
Increase (decrease) in inventory	(146,778)	39,615	—	—	
Fund balances at end of year	\$ 31,159,093	2,016,462	10,753,346	22,133,039	

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2011

Net change in fund balance from previous page	\$ (17,713,664)
Adjustments for the statement of activities:	
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.	19,011,360
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 assets differs from the change in fund balances by the cost of the equipment sold.	(30,159)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	2,149,342
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.	34,952
Because some sales taxes will not be received for several months after the fiscal year ends, they are not considered "available" revenues and are not reported in the governmental funds.	(107,828)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	(107,163)
Changes in net OPEB obligations are reported only in the statement of activities.	(49,096,923)
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 \$1,039,088, pension contributions made exceeded the liability incurred by \$10 and self insurance claims incurred exceeded the amount paid by \$80,277.	(1,119,355)
Change in net assets of governmental activities	\$ <u>(46,979,438)</u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2011

	<u>Schools' OPEB Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash and temporary investments (note 2)	\$ —	6,003,684
Investments, at fair value		
Money market trust	<u>8,657,970</u>	<u>—</u>
Total assets	<u>\$ 8,657,970</u>	<u>6,003,684</u>
Liabilities and Net Assets		
Liabilities:		
Due to students	\$ <u>—</u>	<u>6,003,684</u>
Total liabilities	<u>—</u>	<u>6,003,684</u>
Net assets:		
Net assets held in trust for Other		
Post-employment Benefits	<u>8,657,970</u>	<u>—</u>
Total net assets	<u>8,657,970</u>	<u>—</u>
Total liabilities and net assets	<u>\$ 8,657,970</u>	<u>6,003,684</u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
Year Ended June 30, 2011

	<u>Schools' OPEB Trust Fund</u>
Additions	
Contributions:	
Employer contributions	\$ 8,048,372
Plan member contributions	3,702,197
Total contributions	<u>11,750,569</u>
Net investment income:	
Net appreciation in the fair value of investments	1,154,180
Interest and dividends	<u>7</u>
Total investment income	<u>1,154,187</u>
Total additions	<u>\$ 12,904,756</u>
Deductions	
Benefits	\$ 9,750,569
Administrative expenses	<u>7,748</u>
Total deductions	<u>9,758,317</u>
Change in net assets	3,146,439
Net assets at beginning of year	<u>5,511,531</u>
Net assets at end of year	<u><u>\$ 8,657,970</u></u>

See accompanying notes to basic financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The accounting policies of Chesapeake Public Schools (CPS) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

(a) *The Financial Reporting Entity*

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity of the City of Chesapeake, Virginia (the City) consists of the City as 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. CPS is considered a component unit of the City and, accordingly, the financial position and results of operations are reflected in the basic financial statements included in the Comprehensive Annual Financial Report of the City. CPS has no component units for financial reporting purposes.

(b) *Basis of Presentation*

CPS' basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about CPS as a whole. These statements are reflected on a full accrual, economic resources basis, which incorporates long-term assets as well as long-term liabilities.

The statement of net assets presents the financial condition of the governmental activities of CPS at year-end. CPS does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of CPS' governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: administration, instruction, attendance and health services, transportation, operations and maintenance, school facilities services, school technology services and food services. Program revenues include charges paid by the recipient of the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, summer school tuition, cafeteria sales, and printing services. Revenues not classified as program revenues are presented as general revenues of CPS. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of CPS. CPS does not allocate indirect expenses. When both restricted and unrestricted resources are available for use, it is CPS' policy to use restricted resources first, then unrestricted resources as they are needed.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(b) Basis of Presentation

Fund Financial Statements: During the year, CPS segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of CPS at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. CPS has identified all of its governmental funds as major.

The accounts of CPS are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of CPS' expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination.

CPS reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of CPS. It is used to account for all financial resources except those required to be accounted for in another fund.

Schools' Food Services Fund – The Schools' Food Services Fund is used to account for the operation of the Schools' cafeterias.

School Textbook Fund – The School Textbook Fund is used to account for the operation of the School Textbook program.

Capital Projects Fund – The Capital Projects Fund is used 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).

Additionally, CPS reports the following fiduciary funds:

Fiduciary Funds – Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination.

CPS' Agency Fund is the Student Activity Fund, which accounts for the student activity monies maintained on behalf of the students by the principals at each school.

CPS also reports the Schools' Other Post-Employment Benefits (OPEB) Trust Fund. This fund accounts for assets accumulated to fund other post-employment benefit obligations of the Schools.

CPS Fiduciary funds are not included in the government-wide financial statements.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(c) *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported in the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. CPS considers collections within 45 days of year-end as available. Expenditures, other than principal and 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 for the specific purpose or project before any amounts will be paid to CPS; 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.

Under the accrual basis of accounting, revenues are recognized when earned. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenses are recognized at the time they are incurred.

(d) *Encumbrances*

Encumbrances outstanding at year-end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and commitments in process at year-end. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

(e) *Deposits and Temporary Investments*

Deposits and temporary investments are pooled with the deposits and temporary investments of the City. Income from the investment of pooled deposits is allocated by the City to the various funds and entities based on the percentage of deposits and temporary investments of each fund to total pooled deposits and temporary investments. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(f) Receivables and Due From Other Governments

Amounts due from Commonwealth of Virginia consist primarily of May and June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of CPS. All amounts should be collected within one year.

(g) Inventories

Inventories of governmental funds are accounted for under the purchase method. Costs are recorded as an expenditure at the time inventory is purchased. Quantities on hand at year-end are recorded on the balance sheet at cost on a first-in, first-out basis with an offsetting nonspendable fund balance.

(h) Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent CPS' capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. CPS maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land and textbooks are capitalized regardless of value. CPS has no infrastructure assets.

Under Virginia law, certain property maintained by CPS is subject to tenancy in common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. CPS and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid. At June 30, 2011, the City holds capital assets related to school property with a net book value of \$210,738,148.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets, except land, are depreciated. Depreciation is computed using the straight-line method with full month convention over the following useful lives:

Description	Estimated Lives
Buildings	50 years
Improvements	20 years
Furniture and equipment	5–20 years
Textbooks	5 years

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(i) ***Vacation and Sick Pay***

Employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at their most current rate of pay. The cost of accumulated vacation is 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 CPS will compensate the employees for the benefits through cash payments conditioned upon the employees' termination or retirement. The liability is an estimate based on CPS' past experience of making termination and retirement payments.

(j) ***Fund Balance Items***

Fund balance is divided into 5 classifications based primarily on the extent to which CPS is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

Nonspendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form, or are 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, for example, inventories and prepaid items.

Restricted - The restricted classification is used when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations or through enabling legislation.

Committed - The committed classification includes amounts that can be used only for specific purposes determined by formal action of the School Board – the highest level of authority.

Assigned - The assigned classification is intended to be used by the School Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board or a School Board official delegated that authority by School Board resolution, or by State Statute.

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

CPS applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned or 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.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(k) Net Assets

The difference between assets and liabilities in the government-wide statement of net assets must be labeled as *net assets*. In addition, net assets must be subdivided into three components; invested in capital assets (net of related debt); restricted net assets; and unrestricted net assets, as follows:

Invested in Capital Assets - The invested in capital assets component presents the net assets that comprise the capital assets (net of accumulated depreciation) less related debt.

Restricted Net Assets - The restricted net assets component presents the net assets that are restricted when constraints are placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - The unrestricted net assets component consists of net assets that do not meet the “invested in capital assets” or “restricted” definition.

(l) Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All interfund balances, which are short term in nature, result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

(m) Use of Estimates

Management of the School Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(2) Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GSAB 54)*. The Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type descriptions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also redefines special revenue funds. CPS implemented GASB 54 during the current fiscal year.

The implementation of this statement did not result in the reclassification of funds and restatement of CPS' financial statements.

(3) Deposits and Temporary Investments

Deposits and temporary investments (except for the Agency Fund) pertaining to CPS of \$76,698,916 are pooled and invested with the deposits and temporary investments of the City. Because CPS' deposits and temporary investments are pooled with the deposits and investments of the City, information to categorize investments for CPS only, by the level of risk assumed, is unavailable for disclosure. However, the following provides information for pooled deposits and investments for the City as a whole:

(a) City Deposits

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia, or covered by federal depository insurance. The carrying value of pooled deposits, as of June 30, 2011, is \$332,148,292, including petty cash of \$45,835 and cash in the special welfare fiduciary fund of \$4,272. Cash of \$1,217,229 is being held by the Commonwealth of Virginia.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(b) City Investments

Investments of the City by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA+	AA	AA-	SP-1	Unrated	Total
Investments:									
Bank money market accounts	1	n/a	\$ 19,302,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,302,327
U.S. Government-sponsored coupon securities	862	n/a	96,391,696	882,814	-	-	-	-	97,274,510
Corporate notes and municipal notes	271	n/a	795,255	3,952,029	676,555	406,160	231,734	-	6,061,733
Local Government Investment Pool	n/a	n/a	1,512,284	-	-	-	-	-	1,512,284
Mutual funds	n/a	n/a	20,940,077	-	-	-	-	-	20,940,077
Virginia State Non-Arbitrage Program	n/a	n/a	59,166,642	-	-	-	-	-	59,166,642
Evergreen money market mutual fund	n/a	n/a	140,603	-	-	-	-	-	140,603
Total			198,248,884	4,834,843	676,555	406,160	231,734	-	204,398,176
Restricted investments:									
Virginia State Non-Arbitrage Program	1	n/a	19,598,108	-	-	-	-	-	19,598,108
Wells Fargo Advantage Heritage - money market mutual fund (VML)	1	n/a	8	-	-	-	-	-	8
Federated U.S. money market mutual fund	1	n/a	1,760,500	-	-	-	-	-	1,760,500
U.S. Government-sponsored discount securities	0	n/a	549,895	-	-	-	-	-	549,895
Fidelity Pt CI I - money market mutual fund	1	n/a	(27,095)	-	-	-	-	-	(27,095)
PFM - money market mutual fund	n/a	n/a	9,033,884	-	-	-	-	-	9,033,884
First American Treas ObLig FD CI D	n/a	n/a	15,899	-	-	-	-	-	15,899
Repurchase agreements	n/a	n/a	2,036,925	-	-	-	-	-	2,036,925
Money market deposit	1	n/a	-	-	-	-	-	1,959,088	1,959,088
Total			32,968,124	-	-	-	-	1,959,088	34,927,212
Total Investments and Restricted Investments									
			\$ 231,217,008	\$ 4,834,843	\$ 676,555	\$ 406,160	\$ 231,734	\$ 1,959,088	\$ 239,325,388

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2011

(b) City Investments (continued)

Statutes, as well as the City 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 certificates of deposits and time deposits in the State Treasurer’s Local Government Investment Pool (LGIP). Money market accounts and mutual funds with underlying securities which are within 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 is the minimum rating required by the Virginia State Code, the City’s investment policy, or the debt agreements as well as the actual investment ratings as of June 30, 2011.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or 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.

Concentrations of Credit Risk

The City’s 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, 2011, the City was holding investments in BB&T of \$85,000,000 which represented 21.80%; Towne Bank of \$63,000,000 which represented 16.16%; and SunTrust Bank of \$26,000,000 which represented 6.67% of the City’s total investments. The City held no other investment by any

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one issuer that represented over 5% 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.

Foreign Currency Risk

The City's OPEB Trust invests in U.S. dollars denominated through 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.

The total deposits and investments carried by the City are summarized below:

Pooled deposits	\$ 332,148,292
State set-aside fund	1,217,229
Investments	239,325,388
Other component units	2,652,504
Total City deposits	<u>\$ 575,343,413</u>

(c) Cash and Investments of Agency Fund

As of June 30, 2011, the cash and investments of the Agency Fund are as follows:

Investment Type	Fair Value	Credit Rating
Demand Deposit Checking Accounts	\$ 1,748,976	N/A
Local Government Investment Pool	4,254,708	AAA

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(4) Capital Assets, Net

A summary of changes in capital assets follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land and land improvements	\$ 16,846,470	\$ 430,595	\$ -	\$ 17,277,065
Construction in progress	83,347,609	27,076,729	65,991,412	44,432,926
Total capital assets not being depreciated	<u>100,194,079</u>	<u>27,507,324</u>	<u>65,991,412</u>	<u>61,709,991</u>
Other capital assets:				
Buildings	36,769,798	59,451,606	-	96,221,404
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	59,699,946	2,638,746	544,842	61,793,850
Textbooks	9,601,560	2,727,949	2,560,498	9,769,011
Total other capital assets	<u>111,675,534</u>	<u>64,818,301</u>	<u>3,105,340</u>	<u>173,388,495</u>
Less accumulated depreciation for:				
Buildings	8,404,927	1,492,981	-	9,897,908
Building improvements	3,027,143	169,063	-	3,196,206
Furniture and equipment	39,040,310	3,740,497	514,683	42,266,124
Textbooks	5,592,988	1,920,312	2,560,498	4,952,802
Total accumulated depreciation	<u>56,065,368</u>	<u>7,322,853</u>	<u>3,075,181</u>	<u>60,313,040</u>
Other capital assets, net	<u>55,610,166</u>	<u>57,495,448</u>	<u>30,159</u>	<u>113,075,455</u>
Totals	<u><u>\$155,804,245</u></u>	<u><u>\$ 85,002,772</u></u>	<u><u>\$ 66,021,571</u></u>	<u><u>\$174,785,446</u></u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2011 as follows:

Instruction	\$ 5,173,065
Administration	43,975
Attendance and health services	584
Pupil transportation	1,566,982
Operations and maintenance	124,903
School technology services	409,138
Food services	4,206
Total governmental activities depreciation expense	<u><u>\$ 7,322,853</u></u>

At June 30, 2011, the Schools had contractual commitments of approximately \$28.5 million for work remaining to be performed under capital projects.

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(5) Long-Term Liabilities

A summary of changes in long-term liabilities for CPS for the year ended June 30, 2011 follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts Due</u> <u>in One Year</u>
Compensated absences	\$ 36,978,034	\$ 3,845,078	\$ (2,805,990)	\$ 38,017,122	\$ 2,237,430
Net pension obligation	97,112	-	(10)	97,102	-
Net OPEB obligation	155,334,678	57,145,295	(8,048,372)	204,431,601	-
Claims payable	5,745,325	2,110,911	(2,030,634)	5,825,602	-
Equipment capital leases	10,366,480	-	(2,149,342)	8,217,138	1,465,614
	<u>\$208,521,629</u>	<u>\$ 63,101,284</u>	<u>\$ (15,034,348)</u>	<u>\$256,588,565</u>	<u>\$ 3,703,044</u>

Long-term liabilities are normally paid from the General Fund.

CPS leases certain equipment under non-cancelable capital leases that expire over the next ten years. At June 30, 2011, \$13,797,307 of equipment financed under capital leases is included in the accompanying statement of net assets. The amortization charge of \$479,751 is included in depreciation expense. Accumulated amortization on these assets at June 30, 2011 is \$4,715,790.

The present value of future minimum capital lease payments as of June 30, 2011 is as follows:

Fiscal years:	
2012	\$ 1,792,152
2013	1,792,152
2014	1,390,358
2015	1,390,358
2016	1,390,358
2017 - 2018	<u>1,630,165</u>
Total minimum lease payments	9,385,543
Less amounts representing interest	<u>1,168,405</u>
Present value of minimum capital lease payments	<u>\$ 8,217,138</u>

The future payments by year of compensated absences and net pension obligation are not determinable.

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(6) Defined Benefit Pension Plan

(a) Plan Description

CPS contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer, defined benefit pension plan administered by the VRS. All full-time, salaried permanent employees of participating employers must participate in the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the VRS. Members earn one month of service credit for each month they are employed and their employer is paying into 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 have service credits before July 1, 2010 are covered under Plan 1. CPS employees 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 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. CPS employees 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 equal 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

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 CPS employees is 1.70%.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year or retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. 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) (the Code), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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(b) Funding Policy

Plan members are required by Title 51.1 of the Code to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by CPS. In addition, CPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code and approved by the VRS Board of Trustees. CPS' contribution rate for nonprofessional employees for the fiscal year ended June 30, 2011 was 14.52% of annual covered payroll. CPS' contribution rate for professional employees for the fiscal year ended June 30, 2011 was 8.93% of annual covered payroll.

The following table relates to CPS' contribution for professional employees:

	<u>Annual Required Contributions</u>	<u>Actual Amount Contributed</u>	<u>Amount Contributed in Percent</u>
Fiscal year ended June 30:			
2011	\$ 18,835,577	\$ 18,835,577	100%
2010	24,340,176	24,340,176	100%
2009	30,721,581	30,721,581	100%

(c) Annual Pension Cost and Net Pension Obligation

For fiscal year 2011, CPS' annual pension cost and net pension obligation for nonprofessional employees were as follows:

Annual required contribution	\$ 2,958,167
Interest on net pension obligation	6,798
Adjustment to annual required contribution	(6,808)
Annual pension cost	<u>2,958,157</u>
Contributions made	<u>2,958,167</u>
Increase in net pension obligation	(10)
Net pension obligation at July 1, 2010	<u>97,112</u>
Net pension obligation at June 30, 2011	<u><u>\$ 97,102</u></u>

The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) a 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of CPS' assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a 5-year period. CPS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2009 actuarial valuation was 20 years.

CHESAPEAKE PUBLIC SCHOOLS
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(d) Trend Information for Nonprofessional Employees

The trend information for CPS' nonprofessional employees is as follows:

	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
Fiscal year ended June 30:			
2011	\$ 2,958,157	100%	\$ 97,102
2010	3,099,075	100%	97,112
2009	3,209,119	100%	96,901

(7) Contingent Liabilities

(a) Litigation

Various claims and lawsuits are pending against CPS. In the opinion of legal counsel, resolution of these cases would not involve a significant liability to CPS.

(b) Federal Award Programs

CPS participates in a number of federal award programs. Although CPS was audited in accordance with the provisions of OMB Circular A-133 in conjunction with the audit of the City, 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 grants. Based on prior experience, CPS' management believes such disallowances, if any, will not be significant.

(c) Encumbrances

CPS has outstanding purchase orders representing goods or services not received as of June 30, 2011. These amounts are encumbrances of fiscal year 2010-2011 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 8,381,947
Schools' Food Services	76,461
School Textbook	44,479
Capital Projects	28,549,477
Total Encumbrances	<u>\$ 37,052,364</u>

CHESAPEAKE PUBLIC SCHOOLS
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Notes to Basic Financial Statements

June 30, 2011

(8) Self-Insurance

CPS is self-insured for its workers' compensation, health and dental insurance through the General Fund. The health insurance program became self-insured during the fiscal year ended June 30, 2009. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Workers' compensation has a \$650,000 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 including property and casualty damage, personal and real property damage, and personal liability. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for the workers' compensation 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. CPS uses the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2011 are recognized as a long-term liability in the statement of net assets. Changes in the claims payable amount during the fiscal years ended June 30, 2011, 2010 and 2009 were as follows:

	Balance July 1	Claims and Changes in Estimates	Claim Payments	Balance June 30
Worker's Compensation Claims				
2010 - 2011	\$ 5,745,325	\$ 2,110,912	\$ 2,030,635	5,825,602
2009 - 2010	4,563,573	2,769,174	1,587,422	5,745,325
2008 - 2009	3,814,311	749,262	-	4,563,573
Medical Claims				
2010 - 2011	\$ 5,249,226	\$ 56,612,700	\$ 56,417,291	5,444,635
2009 - 2010	4,943,058	54,731,237	54,425,069	5,249,226
2008 - 2009	-	39,407,320	34,464,262	4,943,058

CHESAPEAKE PUBLIC SCHOOLS
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Notes to Basic Financial Statements

June 30, 2011

Other Post-Employment Benefits

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, 2010, consisted of 5,457 active service participants and 1,370 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the CPS Other Post-Employment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other post-employment 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 post-employment 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 2011, the Schools contributed \$8,048,372 to the plan, including \$6,048,372 for current premiums (75% of total premiums) and an additional \$2,000,000 to prefund benefits. Plan members receiving benefits contributed \$3,702,197 or 38% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the 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.

CHESAPEAKE PUBLIC SCHOOLS
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Notes to Basic Financial Statements

June 30, 2011

(9) Other Post-Employment Benefits (continued)

For the year ended June 30, 2011, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 59,569,434
Interest on net OPEB obligation	6,213,387
Adjustment to annual required contribution	<u>(8,637,526)</u>
Annual OPEB cost	57,145,295
Less employer contributions made	<u>(8,048,372)</u>
Increase in net OPEB obligation	49,096,923
Net OPEB obligation at June 30, 2010	<u>155,334,678</u>
Net OPEB obligation at June 30, 2011	<u><u>\$ 204,431,601</u></u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 57,145,295	\$ 8,048,372	14.1%	\$ 204,431,601
June 30, 2010	61,603,375	10,700,540	17.4%	155,334,678
June 30, 2009	69,331,712	5,787,049	8.3%	104,431,843

CHESAPEAKE PUBLIC SCHOOLS
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Notes to Basic Financial Statements

June 30, 2011

(9) Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2010, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 500,493,509
Less actuarial value of plan assets	5,511,531
Unfunded actuarial accrued liability (UAAL)	<u>\$ 494,981,978</u>
 Funded ratio (actuarial value of plan assets/AAL)	 1.1%
 Covered payroll	 \$ 231,297,764
 UAAL as a percentage of covered payroll	 214.0%

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 information as of June 30, 2011, the fourth year of implementation. In subsequent years, the schedule will provide additional 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 July 1, 2010 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 9.00% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after 8 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.

**Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)**

CHESAPEAKE PUBLIC SCHOOLS
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General Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
City of Chesapeake	\$ 166,488,283	166,488,283	166,393,904	(94,379)
Commonwealth of Virginia	206,190,344	201,920,418	197,550,896	(4,369,522)
Federal government	56,735,537	61,002,425	42,682,983	(18,319,442)
Charges for services	2,652,920	2,652,920	2,035,878	(617,042)
Interest	—	—	252,124	252,124
Miscellaneous	592,364	595,402	1,004,988	409,586
Total revenues	<u>432,659,448</u>	<u>432,659,448</u>	<u>409,920,773</u>	<u>(22,738,675)</u>
Expenditures:				
Education:				
Administration	7,610,355	7,617,352	7,486,758	(130,594)
Instruction	338,476,593	345,238,329	316,175,515	(29,062,814)
Attendance and health services	5,279,343	5,290,487	5,125,814	(164,673)
Pupil transportation	22,758,310	24,150,062	24,199,725	49,663
Operations and maintenance	43,368,917	39,412,771	38,787,776	(624,995)
School facilities services	659,789	667,789	653,816	(13,973)
School technology services	11,948,608	11,527,007	11,156,090	(370,917)
Total education	<u>430,101,915</u>	<u>433,903,797</u>	<u>403,585,494</u>	<u>(30,318,303)</u>
Debt service:				
Principal	2,149,342	2,149,342	2,149,342	—
Interest	408,191	408,191	408,191	—
Total debt service	<u>2,557,533</u>	<u>2,557,533</u>	<u>2,557,533</u>	<u>—</u>
Payment to primary government – return of interest income	<u>—</u>	<u>—</u>	<u>252,124</u>	<u>252,124</u>
Total expenditures	<u>432,659,448</u>	<u>436,461,330</u>	<u>406,395,151</u>	<u>(30,066,179)</u>
Total revenues over (under) expenditures	<u>\$ —</u>	<u>(3,801,882)</u>	<u>3,525,622</u>	<u>7,327,504</u>
Fund balance at beginning of year			27,780,249	
Increase in inventory			(146,778)	
Fund balance at end of year			<u>\$ 31,159,093</u>	

See accompanying note to required supplementary information and independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
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Schools' Food Services Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Commonwealth of Virginia	\$ 211,450	211,450	208,083	(3,367)
Federal government	5,966,427	5,966,427	6,387,867	421,440
Charges for services	6,725,000	6,725,000	5,207,511	(1,517,489)
Interest	5,000	5,000	4,078	(922)
Miscellaneous	50,000	50,000	52,639	2,639
Total revenues	<u>12,957,877</u>	<u>12,957,877</u>	<u>11,860,178</u>	<u>(1,097,699)</u>
Expenditures:				
Operating costs:				
Purchases for resale	5,340,000	5,609,564	4,122,610	(1,486,954)
Food service salaries and fringe benefits	6,909,439	6,909,439	5,701,300	(1,208,139)
General and administrative	1,012,797	1,186,958	1,001,687	(185,271)
Other repairs and supplies	268,000	264,625	180,374	(84,251)
Capital outlay	1,050	5,550	5,329	(221)
Other expenditures	14,500	14,500	10,324	(4,176)
Total expenditures	<u>13,545,786</u>	<u>13,990,636</u>	<u>11,021,624</u>	<u>(2,969,012)</u>
Revenues over (under) expenditures	<u>\$ (587,909)</u>	<u>(1,032,759)</u>	838,554	<u>1,871,313</u>
Fund balance at beginning of year			1,138,293	
Decrease in inventory			<u>39,615</u>	
Fund balance at end of year			<u>\$ 2,016,462</u>	

See accompanying note to required supplementary information and independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
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School Textbook Fund

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual**

Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues:				
Interest	\$ 35,000	35,000	45,164	10,164
Miscellaneous	5,000	5,000	41,571	36,571
Total revenues	40,000	40,000	86,735	46,735
Expenditures:				
Instruction:				
Textbooks	3,502,556	3,660,765	—	(3,660,765)
Expendable workbooks	750,000	818,019	3,662	(814,357)
Total expenditures	4,252,556	4,478,784	3,662	(4,475,122)
Other financing source -				
Transfer from General Fund	—	—	—	—
Revenues and other financing source over (under) expenditures	\$ (4,212,556)	(4,438,784)	83,073	4,521,857
Fund balance at beginning of year			10,670,273	
Fund balance at end of year			\$ 10,753,346	

See accompanying note to required supplementary information and independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)
Schedule of Funding Progress (unaudited)
Year Ended June 30, 2011

Schools' nonprofessional 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, 2010	\$ 60,621,268	82,740,524	22,119,256	73.3%	20,517,369	107.8%
June 30, 2009	59,853,949	75,675,711	15,821,762	79.1%	20,917,830	75.6%
June 30, 2008	58,067,113	71,507,633	13,440,520	81.2%	20,744,338	64.8%
June 30, 2007	52,011,985	66,405,313	14,393,328	78.3%	19,713,778	73.0%
June 30, 2006	45,136,547	59,266,035	14,129,488	76.2%	18,602,631	76.0%
June 30, 2005	42,007,930	56,541,645	14,533,715	74.3%	17,437,108	83.3%
June 30, 2004	40,517,147	48,237,485	7,720,338	84.0%	16,322,205	47.3%
June 30, 2003	39,855,331	44,286,176	4,430,845	90.0%	15,293,398	29.0%

See accompanying independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
 (Component Unit of the City of Chesapeake, Virginia)

Schedule of Funding Progress - Other Post-Employment Benefits (unaudited)
 Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2010	\$ 5,511,531	500,493,509	494,981,978	1.10%	\$ 231,297,764	214.00%
July 1, 2009	421,925	511,308,762	510,886,837	0.08%	243,345,531	209.94%
July 1, 2008	—	552,551,956	552,551,956	0.00%	234,879,180	235.25%
July 1, 2007	—	341,903,028	341,903,028	0.00%	211,208,943	161.88%

The City and Schools implemented GASB Statement Nos. 43 and 45 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide additional multiyear trend information.

See accompanying independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Schedule of Employer Contributions - Other Post-Employment Benefits (unaudited)
Year Ended June 30, 2011

Fiscal Year Ended June 30:		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2011	\$	59,569,434	8,048,372	13.51%
2010		63,233,129	10,700,540	16.92%
2009		69,969,792	5,787,049	8.27%
2008		44,939,118	4,051,938	9.02%

The Schools implemented GASB Statement Nos. 43 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide

See accompanying independent auditors' report.

CHESAPEAKE PUBLIC SCHOOLS
(Component Unit of the City of Chesapeake, Virginia)

Note to Required Supplementary Information
Year Ended June 30, 2011

Budgetary Data

The budgetary data reflected in the required supplementary information was established by Chesapeake Public Schools (CPS) using the following procedures:

- (a) CPS submits to the City Council a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year.
- (b) The budget is legally enacted through passage of an ordinance by the City Council. The School Board then allocates the budget to the various functions.
- (c) The School Board and Superintendent are authorized to make transfers between functions and budgetary line items, respectively. However, revisions that alter the total expenditures of CPS' operating budget must be approved by the City Council. The legal level of budgetary control for the General Fund and Special Revenue Funds is the fund level or the level at which management cannot make transfers or incur expenditures in excess of appropriations without the approval of the School Board. However, management control is exercised over the budget at the individual revenue and expenditure budgetary line item level.

The General Fund and the Special Revenue Funds have legally adopted annual budgets. The budgets are adopted on a budgetary basis which differs from accounting principles generally accepted in the United States of America (GAAP) because revenues and expenditures of \$836,231 resulting from donations of food commodities from the United States Department of Agriculture to Schools' Food Services Fund are not recognized for budgetary purposes.

Appropriations with outstanding commitments or encumbrances are reappropriated in the following year.

The Capital Projects Fund budget is adopted on a project basis by the City Council upon the School Board's recommendation. Any unexpended funds at project completion are returned to the City.

STATISTICAL SECTION

(Unaudited)

This part of the Chesapeake Public Schools' Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School Board's financial health.

Tables

Financial Trends

1 - 5

These tables contain trend information to help the reader comprehend how the government's financial performance and well-being have changed over time.

Revenue Capacity

6

This table contains information to help the reader assess the government's most significant local revenue source, school nutrition services sales.

Demographic and Economic Information

7 - 10

These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

11 - 13

These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Report for the relevant year.

Table 1

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Net Assets by Component (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary government, governmental activities:										
Invested in capital assets-net of related debt:	\$ 166,568,308	\$ 145,437,765	\$ 133,168,432	\$108,202,223	\$ 83,377,822	\$ 70,526,506	\$ 67,464,238	\$ 62,024,995	\$ 58,243,213	\$ 46,342,932
Restricted for capital projects	22,133,039	44,293,952	36,422,441	23,851,420	32,955,766	3,559,445	4,922,761	8,533,984	8,992,924	11,127,232
Restricted for federal and state projects	-	-	-	-	-	-	1,679,704	1,866,409	1,882,000	1,720,719
Unrestricted	(200,948,143)	(154,999,075)	(103,448,681)	(59,963,739)	(15,478,156)	(16,653,637)	(17,652,932)	(17,670,418)	(15,726,533)	(12,053,276)
Total primary government net assets	<u>\$ (12,246,796)</u>	<u>\$ 34,732,642</u>	<u>\$ 66,142,192</u>	<u>\$ 72,089,904</u>	<u>\$ 100,855,432</u>	<u>\$ 57,432,314</u>	<u>\$ 56,413,771</u>	<u>\$ 54,754,970</u>	<u>\$ 53,391,604</u>	<u>\$ 47,137,607</u>

The School Board has no business-type activities.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

Table 2

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Changes in Net Assets (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary Government Expenses										
Governmental activities:										
Administration	\$ 8,499,835	\$ 9,043,438	\$ 9,510,076	\$ 9,553,914	\$ 9,553,639	\$ 7,559,427	\$ 7,009,771	\$ 6,242,625	\$ 5,874,830	\$ 5,553,479
Instruction	362,305,236	369,973,636	373,463,572	386,102,359	317,550,130	288,035,079	270,030,783	245,285,360	233,140,127	214,767,873
Attendance and health services	5,895,342	6,413,977	6,766,485	5,794,509	6,043,088	4,758,613	4,426,032	4,031,877	3,864,121	3,622,326
Pupil transportation	27,920,989	27,219,922	29,710,715	25,485,918	23,651,394	21,544,837	19,186,768	17,536,551	16,554,767	14,334,624
Operations and maintenance	42,193,799	42,198,264	48,622,419	42,285,097	39,252,325	36,038,053	34,055,946	31,787,479	30,864,438	27,348,726
School facilities services	745,668	872,365	985,530	1,220,416	963,718	1,073,088	968,173	1,231,685	866,462	856,170
School technology services	12,731,689	15,803,752	14,983,105	-	-	-	-	-	-	-
Food service	12,797,151	13,134,230	13,512,266	12,596,082	12,528,248	11,497,611	11,541,756	10,291,434	9,390,729	8,971,734
Interest on long-term liabilities	373,239	453,187	408,922	345,988	415,979	223,690	297,988	331,075	428,711	594,045
Payment to primary government for:										
Returning interest income	541,907	960,855	1,546,584	3,745,377	2,315,097	1,100,715	-	-	-	-
Debt service	-	-	682,525	711,203	734,982	758,762	782,542	-	-	-
Capital outlay	-	-	-	-	-	1,601,917	-	-	-	-
Capital Outlay	742,516	-	557,844	7,828,214	-	-	532,463	389,864	-	-
Total expenses	474,747,371	486,073,626	500,750,043	495,669,077	413,008,600	374,191,792	348,832,222	317,127,950	300,984,185	276,048,977
Program revenues										
Governmental activities:										
Charges for services	7,243,389	7,245,368	7,426,524	8,227,885	8,398,845	7,870,493	7,287,354	7,536,856	7,174,775	6,617,048
Operating grants and contributions	94,135,909	82,506,111	77,494,672	75,373,793	73,594,383	64,061,438	58,446,998	52,880,132	52,647,409	47,860,768
Capital grants and contributions	1,125,139	955,420	1,895,524	1,907,684	1,922,839	1,343,384	2,181,385	2,212,985	1,314,910	1,387,058
Total program revenues	102,504,437	90,706,899	86,816,720	85,509,362	83,916,067	73,275,315	67,915,737	62,629,973	61,137,094	55,864,874
Primary government net expense	(372,242,934)	(395,366,727)	(413,933,323)	(410,159,715)	(329,092,533)	(300,916,477)	(280,916,485)	(254,497,977)	(239,847,091)	(220,184,103)
General revenues and other changes in net assets										
Governmental activities:										
Unrestricted grants and contributions	323,606,904	361,488,733	402,409,630	374,581,076	369,516,110	299,002,764	281,850,424	254,151,142	245,804,932	230,561,147
Investment earnings	591,149	1,105,263	1,764,666	4,065,837	2,410,518	1,204,100	73,136	9,668	24,185	68,678
Miscellaneous	1,065,443	1,363,181	3,811,315	2,747,274	589,023	936,605	651,726	1,700,533	271,971	19,588
Payment from primary government - return of prior year reversion	-	-	-	-	-	791,551	-	-	-	-
Total primary government	325,263,496	363,957,177	407,985,611	381,394,187	372,515,651	301,935,020	282,575,286	255,861,343	246,101,088	230,649,413
Change in net assets										
Total primary government	<u>\$ (46,979,438)</u>	<u>\$ (31,409,550)</u>	<u>\$ (5,947,712)</u>	<u>\$ (28,765,528)</u>	<u>\$ 43,423,118</u>	<u>\$ 1,018,543</u>	<u>\$ 1,658,801</u>	<u>\$ 1,363,366</u>	<u>\$ 6,253,997</u>	<u>\$ 10,465,310</u>

The School Board has no business-type activities.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

Table 3

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Fund Balances, Governmental Funds (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Reserved	\$ -	\$ 27,780,249	\$ 26,234,676	\$ 7,894,289	\$ 9,405,544	\$ 3,130,016	\$ 5,408,807	\$ 5,538,200	\$ 5,392,875	\$ 6,698,518
Nonspendable	836,324	-	-	-	-	-	-	-	-	-
Restricted	28,597,716	-	-	-	-	-	-	-	-	-
Assigned	1,725,053	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 31,159,093</u>	<u>\$ 27,780,249</u>	<u>\$ 26,234,676</u>	<u>\$ 7,894,289</u>	<u>\$ 9,405,544</u>	<u>\$ 3,130,016</u>	<u>\$ 5,408,807</u>	<u>\$ 5,538,200</u>	<u>\$ 5,392,875</u>	<u>\$ 6,698,518</u>
All Other Governmental Funds:										
Reserved	\$ -	\$ 13,317,552	\$ 21,698,928	\$ 430,895	\$ 3,003,495	\$ 3,220,066	\$ 1,624,894	\$ 1,226,093	\$ 2,669,506	\$ 12,588,256
Unreserved, reported in:										
Schools' food services	-	341,662	689,555	987,119	939,827	1,792,796	1,423,645	1,544,816	1,636,392	1,517,183
School textbooks	-	10,444,045	11,287,349	7,465,457	3,408,447	3,707,719	2,236,915	1,480,721	1,807,198	2,093,760
Capital projects	-	31,999,259	15,180,070	23,851,420	30,739,784	778,122	3,553,926	7,734,951	6,569,026	(1,254,108)
Nonspendable	391,396	-	-	-	-	-	-	-	-	-
Restricted	34,511,451	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 34,902,847</u>	<u>\$ 56,102,518</u>	<u>\$ 48,855,902</u>	<u>\$ 32,734,891</u>	<u>\$ 38,091,553</u>	<u>\$ 9,498,703</u>	<u>\$ 8,839,380</u>	<u>\$ 11,986,581</u>	<u>\$ 12,682,122</u>	<u>\$ 14,945,091</u>
Total fund balances, governmental funds	<u>\$ 66,061,940</u>	<u>\$ 83,882,767</u>	<u>\$ 75,090,578</u>	<u>\$ 40,629,180</u>	<u>\$ 47,497,097</u>	<u>\$ 12,628,719</u>	<u>\$ 14,248,187</u>	<u>\$ 17,524,781</u>	<u>\$ 18,074,997</u>	<u>\$ 21,643,609</u>

Note: CPS implemented GASB 54 in fiscal year 2011. For years prior to 2011, conversion of fund balance data to the GASB 54 format is not possible at this time.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal year.

Table 4

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Intergovernmental										
From City of Chesapeake	\$ 171,309,720	\$ 191,564,441	\$ 181,558,576	\$ 194,183,814	\$ 186,655,407	\$ 149,860,565	\$ 136,398,571	\$ 126,876,092	\$ 127,255,113	\$ 120,484,322
From Commonwealth of Virginia	197,758,979	206,149,334	240,111,837	221,404,006	217,554,392	189,874,820	182,747,635	159,500,303	152,934,701	141,412,365
From Federal government	49,070,850	32,029,361	22,608,614	24,847,540	24,425,724	23,610,417	22,020,163	22,001,121	18,977,954	17,041,604
Federal donated commodities	836,231	752,531	708,357	942,431	594,842	759,797	924,153	630,407	514,202	477,161
Local										
Charges for services	7,243,389	7,245,368	7,426,524	8,227,885	8,398,845	7,870,493	7,287,354	6,215,940	6,007,050	5,497,575
Interest	591,149	1,105,263	1,764,666	4,065,837	2,410,518	1,204,100	73,136	12,800	77,423	115,419
Miscellaneous	1,099,198	1,377,791	3,853,651	2,827,327	618,504	945,745	677,969	3,046,952	1,462,070	1,174,367
Total revenues	427,909,516	440,224,089	458,032,225	456,498,840	440,658,232	374,125,937	350,128,981	318,283,615	307,228,513	286,202,813
Expenditures										
Current										
Education										
Administration	7,486,758	7,955,711	8,147,608	9,426,436	9,466,123	7,540,160	6,917,697	6,047,761	5,817,599	5,586,741
Instruction	316,179,177	312,179,376	312,952,590	334,750,717	308,786,443	282,291,055	265,590,387	241,016,328	228,908,675	211,169,148
Attendance and health services	5,125,814	5,604,907	5,722,172	5,726,979	5,979,267	4,748,322	4,415,116	3,998,918	3,837,666	3,600,858
Pupil transportation	24,199,725	23,546,059	25,137,180	24,711,116	22,432,580	20,827,794	18,519,154	15,699,498	15,089,653	12,909,474
Operation and maintenance	38,787,776	38,988,352	44,359,403	42,058,757	38,683,190	36,028,126	34,016,292	31,636,663	30,776,093	27,394,591
School facilities services	653,816	774,729	850,629	1,211,589	954,372	1,071,653	966,305	1,225,221	860,934	851,566
School technology services	11,156,090	14,234,184	13,426,743	-	-	-	-	-	-	-
Food services	11,857,855	12,061,206	12,249,575	12,296,354	12,560,555	11,524,797	11,467,589	10,305,666	9,361,775	8,906,769
Debt service	2,557,533	2,557,534	4,346,115	3,179,802	4,335,898	2,464,393	2,967,727	2,606,443	2,535,286	2,280,630
Return of interest income to primary government	541,907	960,855	1,546,584	3,745,377	2,315,097	1,100,715	-	-	-	-
Debt payment to primary government	-	-	682,525	711,203	734,982	758,762	782,542	-	-	-
Payment to primary government for capital outlay	-	-	-	-	-	1,601,917	-	-	-	-
Capital outlay	27,076,729	27,003,588	35,491,287	40,122,765	22,880,184	9,177,081	11,741,629	10,363,337	15,991,046	19,375,666
Total expenditures	445,623,180	445,866,501	464,912,411	477,941,095	429,128,691	379,134,775	357,384,438	322,899,835	313,178,727	292,075,443
Excess (deficiency) of revenues over expenditures	(17,713,664)	(5,642,412)	(6,880,186)	(21,442,255)	11,529,541	(5,008,838)	(7,255,457)	(4,616,220)	(5,950,214)	(5,872,630)
Other financing sources (uses)										
Proceeds from capital leases	-	-	4,114,116	4,300,000	7,600,000	2,500,000	4,000,000	4,000,000	2,300,000	1,472,671
Proceeds of VPSA bonds from primary government	-	13,253,099	37,000,026	10,003,048	15,863,928	-	-	-	-	-
Return of prior year reversion from primary government	-	-	-	-	-	791,551	-	-	-	-
Payment from primary government for capital outlay	-	900,000	76,934	380,075	-	-	-	-	-	-
Transfers in	-	-	7,483,790	7,772,825	9,486,877	4,182,985	4,002,664	5,907,561	3,542,744	3,455,020
Transfers out	-	-	(7,483,790)	(7,772,825)	(9,486,877)	(4,182,985)	(4,002,664)	(5,907,561)	(3,542,744)	(3,455,020)
Total other financing sources (uses)	-	14,153,099	41,191,076	14,683,123	23,463,928	3,291,551	4,000,000	4,000,000	2,300,000	1,472,671
Total net change in fund balances	\$ (17,713,664)	\$ 8,510,687	\$ 34,310,890	\$ (6,759,132)	\$ 34,993,469	\$ (1,717,287)	\$ (3,255,457)	\$ (616,220)	\$ (3,650,214)	\$ (4,399,959)
Ratio of debt service expenditures to noncapital expenditures	0.62%	0.62%	1.19%	0.90%	1.27%	0.89%	1.10%	0.84%	0.86%	0.84%

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

Table 5

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Governmental Funds Revenue
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Federal revenue sources:										
General Fund	\$ 42,682,983	\$ 25,988,821	\$ 17,150,078	\$ 20,005,328	\$ 19,765,391	\$ 19,045,910	\$ 17,602,778	\$ 18,053,722	\$ 15,223,814	\$ 13,439,878
Schools' Food Services Fund	6,387,867	6,040,540	5,458,536	4,842,212	4,660,333	4,564,507	4,417,385	3,947,399	3,754,140	3,601,726
School Textbook Fund	-	-	-	-	-	-	-	-	-	-
Total federal sources	49,070,850	32,029,361	22,608,614	24,847,540	24,425,724	23,610,417	22,020,163	22,001,121	18,977,954	17,041,604
State revenue sources:										
General Fund	197,550,896	205,949,845	239,909,945	221,212,933	217,362,646	189,687,624	182,578,999	159,264,101	151,511,874	139,949,628
Schools' Food Services Fund	208,083	199,489	201,892	191,073	191,746	187,196	164,341	165,624	167,569	196,357
School Textbook Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	4,295	70,578	1,255,258	1,266,380
Total state sources	197,758,979	206,149,334	240,111,837	221,404,006	217,554,392	189,874,820	182,747,635	159,500,303	152,934,701	141,412,365
Local revenue sources:										
General Fund	169,686,894	174,650,919	184,899,140	186,087,021	170,668,313	152,192,759	136,963,040	128,901,201	122,801,859	115,030,470
Schools' Food Services Fund	5,264,228	5,099,179	5,513,823	6,310,949	6,465,654	6,425,467	5,910,306	5,525,495	5,238,514	4,863,398
School Textbook Fund	86,735	163,466	237,275	636,706	69,232	973,093	1,563,684	50,088	62,349	109,157
Capital Projects Fund	5,205,599	21,379,299	3,953,179	16,270,187	20,880,075	289,584	-	1,675,000	6,698,934	7,268,658
Total local sources	180,243,456	201,292,863	194,603,417	209,304,863	198,083,274	159,880,903	144,437,030	136,151,784	134,801,656	127,271,683
Donated commodities from federal government:										
Schools' Food Services Fund	836,231	752,531	708,357	942,431	594,842	759,797	924,153	630,407	514,202	477,161
Total donated commodities	836,231	752,531	708,357	942,431	594,842	759,797	924,153	630,407	514,202	477,161
Total revenues	\$ 427,909,516	\$ 440,224,089	\$ 458,032,225	\$ 456,498,840	\$ 440,658,232	\$ 374,125,937	\$ 350,128,981	\$ 318,283,615	\$ 307,228,513	\$ 286,202,813

Note: Nine years is presented to be consistent with the availability of data presented in Tables 1 and 2.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

Table 6

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Own-Source Revenue (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Enrollment Level										
Elementary	16,450	16,509	16,344	16,566	16,699	16,996	17,060	17,069	17,055	17,265
Middle	9,186	9,233	9,262	9,307	9,613	9,963	10,137	10,043	9,984	9,607
High	12,992	13,069	13,434	13,332	13,349	13,355	12,940	12,470	11,956	11,198
Special Centers	40	53	58	75	60	74	89	74	104	115
School Lunch Meals										
Full	\$ 3,636,374	\$ 3,575,093	\$ 3,788,992	\$ 3,817,036	\$ 3,815,939	\$ 3,650,674	\$ 3,291,302	\$ 3,042,866	\$ 2,953,643	\$ 2,774,457
Reduced	591,867	719,355	725,046	674,053	666,734	568,296	571,641	556,775	533,969	485,961
Free	3,720,748	3,401,839	2,994,746	2,682,215	2,590,975	2,643,262	2,510,290	2,296,320	2,172,489	2,068,935
Total	<u>\$ 7,948,988</u>	<u>\$ 7,696,287</u>	<u>\$ 7,508,784</u>	<u>\$ 7,173,304</u>	<u>\$ 7,073,649</u>	<u>\$ 6,862,232</u>	<u>\$ 6,373,233</u>	<u>\$ 5,895,961</u>	<u>\$ 5,660,101</u>	<u>\$ 5,329,352</u>
School Breakfast Meals										
Full	\$ 364,997	\$ 280,606	\$ 293,443	\$ 314,271	\$ 290,867	\$ 272,371	\$ 211,434	\$ 173,214	\$ 183,738	\$ 162,864
Reduced	125,020	143,611	142,283	131,342	124,975	101,664	89,101	80,587	70,906	58,936
Free	1,089,964	961,838	869,095	824,456	760,682	753,532	702,313	600,780	571,708	536,718
Total	<u>\$ 1,579,981</u>	<u>\$ 1,386,055</u>	<u>\$ 1,304,821</u>	<u>\$ 1,270,068</u>	<u>\$ 1,176,524</u>	<u>\$ 1,127,566</u>	<u>\$ 1,002,848</u>	<u>\$ 854,582</u>	<u>\$ 826,351</u>	<u>\$ 758,518</u>
School Lunch Price										
Full										
Elementary	\$ 2.00	\$ 1.90	\$ 1.80	\$ 1.65	\$ 1.65	\$ 1.50	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.10
Middle	2.00	2.00	1.90	1.75	1.75	1.60	1.40	1.40	1.40	1.20
High	2.00	2.00	1.90	1.75	1.75	1.60	1.40	1.40	1.40	1.20
Adult	2.75	2.60	2.50	2.35	2.35	2.20	2.00	2.00	2.00	1.85
Reduced	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
School Breakfast Price										
Elementary	\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.60
Middle	1.10	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.80	0.60
High	1.10	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.80	0.60
Adult	n/a	n/a	n/a	n/a	n/a	n/a	1.10	1.10	1.10	0.90
Reduced	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

n/a Adult paid breakfasts were not offered subsequent to fiscal year 2005. Adults pay for breakfast on an a la carte basis.

Note: Information for years prior to 2002 is not available.

Source: Chesapeake Public Schools - School Nutrition Services Department & StarBase Software

Table 7

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Demographic and Economic Statistics (unaudited)
Last Ten Fiscal Years

	(1)	(2)	(3)	(4)	(5)	(6)
		Personal Income	Per Capita		Chesapeake	Virginia
		(thousands of	Personal	School	Unemployment	Unemployment
Year	Population	dollars)	Income	Enrollment	Rate	Rate
2002	204,652	\$ 6,107,527	\$ 29,855	38,010	3.50%	4.00%
2003	208,533	6,528,754	31,324	38,862	3.80%	4.20%
2004	213,303	6,896,084	32,350	39,440	3.70%	3.90%
2005	216,644	7,266,605	33,567	40,005	3.70%	3.60%
2006	218,638	7,753,052	35,504	40,121	3.20%	3.20%
2007	221,282	8,102,202	37,025	39,465	3.10%	2.90%
2008	223,743	8,810,046	39,988	39,026	3.30%	3.30%
2009	225,255	8,890,725	39,966	38,868	5.30%	5.60%
2010	226,995	n/a	n/a	38,864	6.80%	7.00%
2011	223,647	n/a	n/a	38,668	6.60%	6.50%

n/a - Information not available at this time.

Sources:

- (1) Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2002 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2011). 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 will now become 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 April 2010)
- (3) Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (restated as of April 2010)
- (4) September 30th enrollment of the respective year, as per the Virginia Department of Education
- (5) - (6) U.S. Department of Labor, Bureau of Labor Statistics (average for fiscal year - restated through July 2011)

Table 8

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Principal Employers (unaudited)
Current Year and Nine Years Ago

Employer	Type of Business	Fiscal Year 2011		Fiscal Year 2002	
		Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
City of Chesapeake Schools (1)	Government	5,723	5.18%	4,782	4.41%
City of Chesapeake (3)	Government	3,501	3.17%	3,139	2.90%
Chesapeake Regional Medical Center	Hospital and healthcare services	2,400	2.17%	n/a	n/a
Sentara Home Care Services	Home care nursing	1,400	1.27%	n/a	n/a
QVC Chesapeake, Inc.	Phone center/order processing facility	1,276	1.16%	n/a	n/a
LTD Management Co. LLC	Hotel development and management	1,000	0.91%	n/a	n/a
Cox Communications	Hampton Roads headquarters/customer care center	800	0.72%	n/a	n/a
Hewlett Packard	Administration Service Center	800	0.72%	n/a	n/a
Sarach Systems, Inc. dba Reliance Staffing	Employment supply service	700	0.63%	n/a	n/a
Lifetouch National School Studios Inc.	School photography processing plant	665	0.60%	n/a	n/a
Dollar Tree Stores Inc.	Corporate headquarters/distribution facility	660	0.60%	n/a	n/a
Maersk Distribution Services, Inc.	Gateway commerce	637	0.58%	n/a	n/a
General Dynamics Information Technology	Engineering and technical services	600	0.54%	n/a	n/a
Canon Information Technology Services, Inc.	Technical and consumer support	572	0.52%	n/a	n/a
First Data Resources	Card processing center	500	0.45%	n/a	n/a
Total		21,234	19.23%	7,921	7.31%
Total Employment (2)		110,443		108,357	

n/a - Information not available at this time.

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

(1) Source is Chesapeake Public Schools

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

(3) Source is City of Chesapeake Budget Department

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Employees by Class Code (unaudited)
Last Ten Fiscal Years

Employee Count:	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
School Board Members	9	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Deputy Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant Superintendents	4	4	4	4	4	4	4	4	4	4
Directors, Supervisors and Coordinators	88	93	92	93	88	75	70	67	70	67
Administrative Support	96	94	111	109	103	98	94	94	95	95
Principals	48	48	49	49	49	48	48	48	47	46
Assistant Principals	96	97	97	101	101	97	93	91	90	87
Teachers	2,855	2,880	3,005	2,940	2,914	2,917	2,833	2,773	2,711	2,756
Guidance and other Counselors	117	117	118	117	111	111	111	109	109	108
Media Specialists	58	58	58	58	56	53	56	55	56	55
School Social Workers	10	9	10	10	10	10	10	10	10	11
Technical Specialists	73	75	80	78	74	73	55	53	49	155
Medical staff	50	50	51	52	51	51	51	51	52	50
Psychologists	18	19	19	20	20	20	20	20	20	20
Secretaries - school based	146	138	147	140	134	121	115	115	111	111
Paraprofessionals	767	784	786	784	775	760	746	731	703	639
Transportation operations	595	587	589	580	534	549	537	527	513	476
Security	88	88	88	79	61	54	43	44	45	43
Operations and Maintenance staff	484	485	486	476	457	459	455	458	448	475
Cafeteria staff	121	124	127	120	120	122	121	124	121	122
	<u>5,725</u>	<u>5,761</u>	<u>5,928</u>	<u>5,821</u>	<u>5,673</u>	<u>5,633</u>	<u>5,473</u>	<u>5,385</u>	<u>5,265</u>	<u>5,331</u>

Note: Information for years prior to 2002 is not available.

Source: Chesapeake Public Schools Budget Office

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Teachers - Total Number, Average Age, Average Salary (unaudited)
Last Five Fiscal Years

For the Year Ended June 30, 2011

	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
Elementary	1172	47.5	\$ 51,981	474	657	32	9
Middle	727	46.2	51,860	306	379	34	8
High	900	46.5	52,484	398	462	29	11
Other	57	56.0	59,645	24	29	2	2

For the Year Ended June 30, 2010

	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
Elementary	1199	48.2	\$ 52,789	453	704	31	11
Middle	711	46.2	53,016	262	417	25	7
High	958	46.1	53,581	366	538	42	12
Other	66	47.8	60,360	7	45	10	4

For the Year Ended June 30, 2009

	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
Elementary	1,260	43.7	\$ 53,069	498	724	27	11
Middle	736	44.9	53,712	291	417	23	5
High	984	44.7	54,031	402	536	33	13
Other	64	44.3	59,376	8	43	10	3

For the Year Ended June 30, 2008

	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
Elementary	1,310	46.1	\$ 51,207	529	751	23	7
Middle	771	45.7	51,658	310	434	21	6
High	977	45.3	52,224	403	535	27	12
Other	115	52.7	60,576	26	68	17	4

For the Year Ended June 30, 2007

	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
Elementary	1,350	47.1	\$ 49,885	547	769	27	7
Middle	776	46.9	50,083	314	430	24	8
High	932	45.8	50,566	399	502	21	10
Other	98	50.6	59,024	23	59	11	5

Note: Information for years prior to 2007 is not available.

Source: Chesapeake Public Schools - Human Resource Department

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Capital Assets Statistics (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Building										
Elementary	28	28	28	28	28	28	28	28	28	28
Middle	10	10	10	10	10	10	10	10	10	10
High	7	7	7	7	6	6	6	6	6	6
Other	1	1	1	1	1	1	1	1	1	1
Fleet										
School Buses	537	531	497	497	474	478	461	461	452	452
Other	213	251	234	232	221	206	179	170	148	136
Athletics										
Football Fields	24	24	24	24	22	23	23	23	23	23
Running Tracks	14	14	14	14	12	13	13	13	13	13
Baseball/Softball	36	36	36	36	34	36	36	36	36	36
Playgrounds	28	28	28	28	28	28	28	28	28	28

Sources:

Chesapeake Public Schools - Transportation Division
Chesapeake Public Schools - Athletics Department
Chesapeake Public Schools - Operations Division

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools										
Butts Road Intermediate (1991)										
Square feet	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450
Capacity (Students)	900	900	875	900	900	900	900	975	975	950
Enrollment	704	728	768	806	823	818	781	764	751	768
Butts Road Primary (1966)										
Square feet	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850
Capacity (Students)	700	700	700	700	700	700	700	750	750	75
Enrollment	651	652	650	645	658	700	697	673	667	654
Camelot Elementary (1975)										
Square feet	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670
Capacity (Students)	675	675	700	700	700	700	700	675	700	700
Enrollment	534	516	535	527	536	567	556	584	566	571
G.W. Carver Intermediate (1975)										
Square feet	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471
Capacity (Students)	500	525	525	525	525	525	550	550	550	550
Enrollment	489	453	443	432	449	447	440	428	435	445
Cedar Road Elementary (1996)										
Square feet	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560
Capacity (Students)	900	900	900	900	900	900	925	950	950	950
Enrollment	827	825	818	803	815	836	838	879	854	894
Chittum Elementary (1958)										
Square feet	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354
Capacity (Students)	600	600	625	650	650	650	650	650	650	675
Enrollment	700	741	698	717	766	795	780	721	698	685
Crestwood Intermediate (1962)										
Square feet	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700
Capacity (Students)	700	700	675	675	675	675	675	700	700	700
Enrollment	768	759	707	744	753	752	776	819	770	770
Deep Creek Central Elementary (1955)										
Square feet	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715
Capacity (Students)	550	550	575	575	575	575	600	650	625	625
Enrollment	524	538	573	550	522	503	517	507	833	820

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary School (continued):										
Deep Creek Elementary (1966)										
Square feet	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144
Capacity (Students)	725	725	725	700	700	700	700	700	700	700
Enrollment	660	690	709	748	730	720	710	671	706	756
Deep Creek Intermediate (1947)										
Square feet	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	54,675	54,675
Capacity (Students)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	475	475
Enrollment	(A)	(A)	(A)	(A)	(A)	(A)	(A)	(A)	423	431
Georgetown Primary (1960)										
Square feet	103,400	103,400	103,400	103,400	103,400	103,400	103,400	103,400	103,400	10,340
Capacity (Students)	700	700	700	675	700	800	800	750	750	725
Enrollment	725	733	756	736	700	713	710	694	686	709
Grassfield Elementary (2003)										
Square feet	107,455	107,455	107,455	107,455	107,455	107,455	107,455	107,455	(B)	(B)
Capacity (Students)	875	875	875	900	900	925	950	975	(B)	(B)
Enrollment	867	844	830	794	795	776	739	729	(B)	(B)
Great Bridge Intermediate (1991)										
Square feet	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670
Capacity (Students)	900	900	900	900	900	875	875	925	950	950
Enrollment	572	616	613	619	672	765	798	801	819	763
Great Bridge Primary (1960)										
Square feet	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300
Capacity (Students)	700	700	700	700	700	700	725	775	800	825
Enrollment	527	500	535	537	578	611	618	690	710	700
Greenbrier Intermediate (1991)										
Square feet	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670
Capacity (Students)	825	825	825	850	850	850	850	900	900	925
Enrollment	634	611	613	616	620	640	634	670	689	657
Greenbrier Primary (1986)										
Square feet	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450
Capacity (Students)	650	650	650	675	675	675	675	750	775	775
Enrollment	591	577	565	530	550	551	564	562	582	586

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary School (continued):										
Hickory Elementary (1922)										
Square feet	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430
Capacity (Students)	600	600	600	600	600	600	600	625	625	600
Enrollment	408	398	394	364	372	386	488	485	485	494
Thurgood Marshall Elementary (1995)										
Square feet	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538
Capacity (Students)	475	475	450	450	450	450	450	450	500	525
Enrollment	530	537	514	526	515	502	496	524	537	543
Norfolk Highlands Primary (1913)										
Square feet	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532
Capacity (Students)	350	350	350	375	375	375	375	350	325	325
Enrollment	312	323	296	279	281	249	279	272	255	270
Portlock Primary (1964)										
Square feet	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530
Capacity (Students)	550	550	550	550	550	550	550	550	600	600
Enrollment	527	511	515	507	510	509	493	446	445	434
Southeastern Elementary (1952)										
Square feet	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824
Capacity (Students)	725	725	700	700	725	725	725	725	725	750
Enrollment	714	722	805	766	807	799	793	813	776	781
Southwestern Elementary (1995)										
Square feet	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779
Capacity (Students)	500	500	500	500	500	500	500	500	525	550
Enrollment	538	535	522	537	528	519	469	431	467	444
Sparrow Road Intermediate (1966)										
Square feet	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780
Capacity (Students)	625	625	650	650	650	650	650	650	650	650
Enrollment	470	509	486	490	478	480	482	499	501	525
Treacle Elementary (1963)										
Square feet	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270
Capacity (Students)	575	575	575	575	575	600	600	600	575	575
Enrollment	489	451	432	437	443	473	503	505	502	524

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary School: (continued):										
Truitt intermediate (1929)										
Square feet	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731
Capacity (Students)	350	350	375	375	375	375	375	375	350	350
Enrollment	285	294	291	290	281	270	281	313	332	360
Western Branch Intermediate (1969)										
Square feet	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500
Capacity (Students)	725	725	725	725	725	750	750	775	775	800
Enrollment	775	789	830	782	776	789	821	819	835	804
Western Branch Primary (1982)										
Square feet	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732
Capacity (Students)	675	675	675	675	675	675	700	750	750	775
Enrollment	620	623	629	690	659	701	690	703	693	657
B.M.Williams Primary (1956)										
Square feet	73,800	73,800	73,800	73,800	73,800	73,800	73,800	73,800	73,800	7,380
Capacity (Students)	700	700	675	675	675	675	675	675	700	750
Enrollment	709	737	734	786	765	801	789	777	757	717
Rena B. Wright Elementary (1971)										
Square feet	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800
Capacity (Students)	425	425	400	400	400	375	375	375	425	425
Enrollment	300	297	305	308	317	324	318	290	281	288
Middle Schools:										
Crestwood Middle (1952)										
Square feet	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420
Capacity (Students)	700	700	700	700	700	700	700	700	700	725
Enrollment	595	587	623	613	597	638	697	679	670	617
Deep Creek Middle (1955)										
Square feet	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550
Capacity (Students)	925	925	925	925	925	925	900	900	875	875
Enrollment	464	465	456	452	522	525	547	568	570	580

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Middle Schools (continued):										
Great Bridge Middle										
Square feet	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244
Capacity (Students)	1,425	1,425	1,425	1,425	1,425	1,425	1,400	1,400	825	825
Enrollment	1,166	1,242	1,311	1,339	1,330	1,379	1,389	1,406	1354	1,378
Greenbrier Middle (2000)										
Square feet	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640
Capacity (Students)	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1525	1,525
Enrollment	901	894	902	878	920	922	941	926	932	910
Hickory Middle (1997)										
Square feet	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131
Capacity (Students)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1500	1,525
Enrollment	1,711	1,765	1,735	1,679	1,731	1,773	1,869	1,870	1828	1,718
Indian River Middle (1963)										
Square feet	139,298	139,298	161,088	161,088	161,088	161,088	161,088	161,088	161,088	161,088
Capacity (Students)	700	700	950	950	975	975	975	975	975	1,000
Enrollment	752	750	766	741	777	826	833	842	880	842
Jolliff Middle (2001)										
Square feet	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750
Capacity (Students)	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,225	1225	1,225
Enrollment	705	700	728	734	769	801	786	686	668	636
Hugo Owens Middle (1997)										
Square feet	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200
Capacity (Students)	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,500	1525	1,525
Enrollment	1,067	1,109	1,043	1,074	1,101	1,148	1,039	1,062	1098	1,030
Oscar Smith Middle (2010)	(D)									
Square feet	243,786	243,786	135,209	135,209	135,209	135,209	135,209	135,209	135,209	135,209
Capacity (Students)	1,000	1,000	775	775	775	775	775	775	775	800
Enrollment	937	869	848	874	943	1,020	1,084	1,070	1013	978
Western Branch Middle (1964)										
Square feet	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280
Capacity (Students)	1,075	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	888	852	850	923	923	931	952	934	971	937

Table 12

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
High Schools:										
Deep Creek High (1963)										
Square feet	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800
Capacity (Students)	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,725
Enrollment	1,296	1,162	1,233	1,376	2,091	2,061	2,009	2,038	1,982	1,932
Grassfield High (2007)										
Square feet	347,320	347,320	347,320	347,320	(C)	(C)	(C)	(C)	(C)	(C)
Capacity (Students)	2,400	2,400	2,400	2,400	(C)	(C)	(C)	(C)	(C)	(C)
Enrollment	2,092	2,210	2,127	1,722	(C)	(C)	(C)	(C)	(C)	(C)
Great Bridge High (1983)										
Square feet	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356
Capacity (Students)	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,750
Enrollment	1,665	1,710	1,674	1,794	2,391	2,328	2,251	2,118	2,023	1,989
Hickory High (1996)										
Square feet	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200
Capacity (Students)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,925
Enrollment	1,909	1,910	2,010	2,147	2,558	2,595	2,464	2,366	2,255	2,200
Indian River High (1972)										
Square feet	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096
Capacity (Students)	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,625
Enrollment	1,701	1,687	1,737	1,777	1,805	1,826	1,852	1,797	1,727	1,657
Oscar Smith High (1994)										
Square feet	275,300	275,300	275,300	275,300	275,300	275,300	275,300	275,300	275,300	27,530
Capacity (Students)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,925
Enrollment	2,124	2,149	2,171	2,240	2,264	2,319	2,166	2,051	1,934	1,785
Western Branch High (1968) (F)										
Square feet	319,383	242,967	242,967	242,967	242,967	242,967	242,967	242,967	242,967	242,967
Capacity (Students)	2,400	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,725
Enrollment	2,205	2,241	2,252	2,276	2,240	2,226	2,198	2,100	2,035	1,935

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

School Building Information (unaudited)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Alternative Schools										
Chesapeake Alternative School (1955) (E)										
Square feet	21,790	21,790	69,369	69,369	69,369	69,369	69,369	69,369	69,369	69,369
Capacity (Students)	100	100	75	75	75	75	75	75	75	75
Enrollment	40	53	58	75	60	74	89	74	104	79

(A) School closed at the end of fiscal year 2003

(B) School opened in fiscal year 2004

(C) School opened in fiscal year 2008

(D) A newly constructed building opened in fiscal year 2010 and replaced the prior building built in 1954.

(E) Chesapeake Alternative School relocated to the Indian River Middle School Annex in fiscal year 2010.

(F) A major renovation and addition project was completed at Western Branch High School in December 2010.

Sources: Chesapeake Public Schools Planning and Development and New Construction Departments

CHESAPEAKE PUBLIC SCHOOLS
Component Unit of the City of Chesapeake, Virginia

Operating Statistics (unaudited)
Last Ten Fiscal Years

Year	(1) Expenditures	(2) School Enrollment	(3) Cost per Pupil	Percentage Change	(4) Teaching Staff	Pupil/ Teacher Ratio
2011	\$ 445,623,180	\$ 38,668	n/a	n/a	2,855	13.54
2010	445,866,501	38,864	\$ 10,459	-5.24%	2,731	14.23
2009	464,912,411	38,868	11,037	3.25%	2,917	13.32
2008	477,941,095	39,026	10,690	6.09%	2,940	13.27
2007	429,128,691	39,465	10,076	11.32%	2,914	13.54
2006	379,134,775	40,121	9,051	7.25%	2,917	13.75
2005	357,384,438	40,005	8,439	9.26%	2,833	14.12
2004	322,899,835	39,440	7,724	3.51%	2,773	14.22
2003	313,178,727	38,862	7,462	4.94%	2,711	14.33
2002	292,075,443	38,010	7,111	n/a	2,756	13.79

n/a - Information not available at this time.

Sources:

- (1) Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years
- (2) September 30th enrollment of the respective year, as per the Virginia Department of Education
- (3) Table 15 from the Superintendent's Annual School Report for Virginia for respective fiscal years
- (4) Chesapeake Public Schools Budget Office