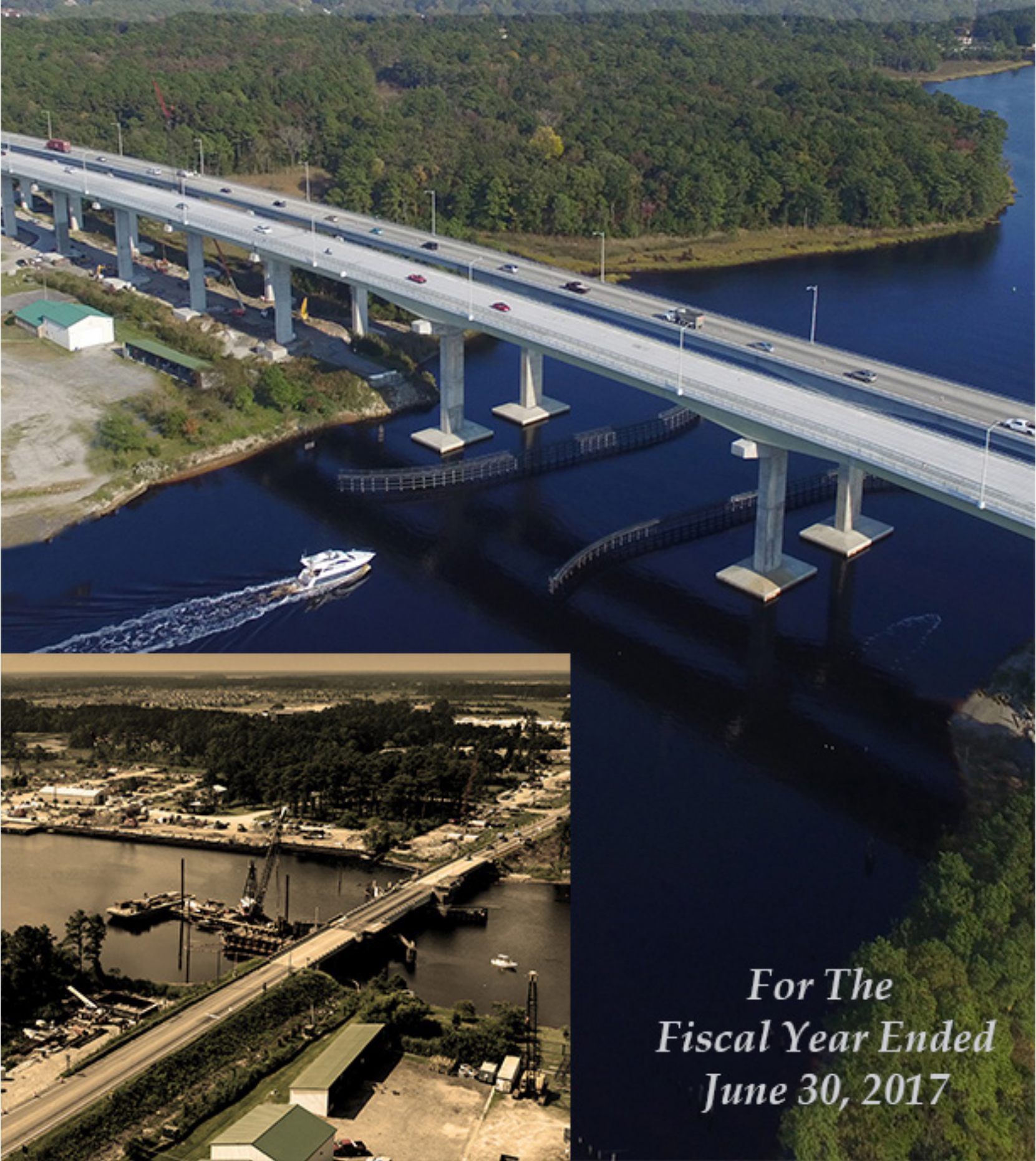
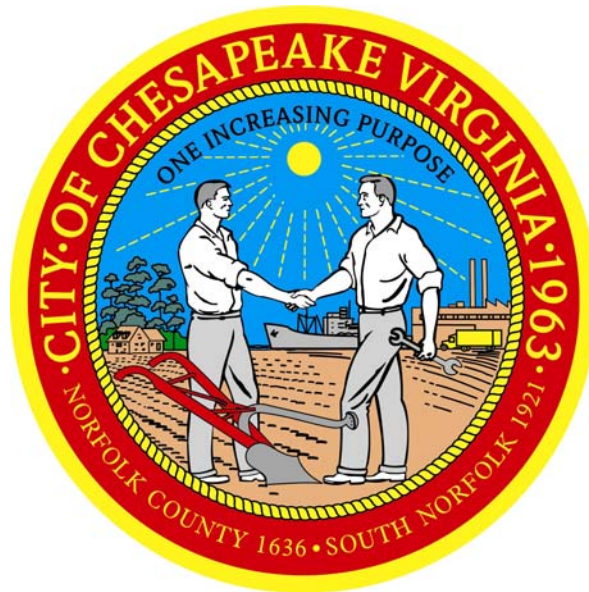


City of Chesapeake, Virginia Comprehensive Annual Financial Report



*For The
Fiscal Year Ended
June 30, 2017*

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2017



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

City of Chesapeake, Virginia

Mission

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

Code of Ethics

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

Acknowledgments...

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

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

Kristen Bailey
Faith Baker
Lorra Calvert
Megan Craig
Jennifer Cummins

Pamela Hardesty
Linda Mathis
Lisa Morris
Kelley Peroe
Nancy Randall

Nancy Tracy
Subhashree Venkatasubramanian
Tamara Walters
Katherine Williams

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

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

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INTRODUCTORY SECTION



November 28, 2017

To the Citizens of Chesapeake, Virginia:

The Comprehensive Annual Financial Report of the City of Chesapeake, Virginia (the City) for the fiscal year ended June 30, 2017 is hereby submitted. The financial statements included in this report conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the Report of Independent Auditor and provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Reporting Entity and Its Services

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

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

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

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

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

Economic Condition and Outlook

This is the seventh consecutive calendar year of sales tax revenue growth for the City. The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2016 increased \$82.9 million or 2.5% from \$3.3 billion in 2015 to \$3.4 billion.

Unemployment for the City and the Commonwealth remains below the national rate. For the fiscal year ended June 30, 2017, the average unemployment rates were 4.2% for Chesapeake (a decline from the prior year's average unemployment rate of 4.3%), 4.5% for the Hampton Roads region and 4.0% for the Commonwealth, compared to 4.7% for the United States.

The Chesapeake Economic Development Department's 2017 Annual Report (highlighting 2016 business announcements and job creation) noted the following accomplishments:

- Investment in Chesapeake totaled \$289.3 million during 2016 (a 61.6% increase from 2015) resulting in the creation of 1,255 new jobs.
- After the acquisition of Family Dollar Stores, Inc., Dollar Tree, Inc. committed to invest \$110.0 million for the development of its corporate headquarters in the City of Chesapeake. The expansion project is expected to retain 825 jobs and create 600 new jobs over the next six years with an additional annual payroll at the facility of at least \$70.0 million. On the 2017 Fortune 500 List, Dollar Tree, Inc. increased its ranking from 180 to 136 with revenues of \$20.7 billion, up 33.7% over the prior year.
- UVA's Weldon Cooper Center for Public Service projects Chesapeake will be the second most populous city in Virginia by 2020.
- INIT Inc. held a ribbon cutting ceremony on August 3, 2017 celebrating its expanding operations in Chesapeake by building a new 67,000 square foot manufacturing facility, investing nearly \$13.0 million and establishing Chesapeake as its North American Headquarters with more than 90 employees.
- Hoffman Beverage held a ribbon cutting ceremony on August 23, 2017 celebrating its expanded operations in Chesapeake with a 253,000 square foot corporate headquarters, distribution and warehouse facility and investing \$18.4 million with more than 180 employees.
- Chesapeake Regional Healthcare Center, with more than 2000 employees and real estate assets across the city, celebrated its fortieth anniversary and serves as the City's independently owned hospital.
- Sentara Healthcare opened a new medical center in southern Chesapeake in March of 2017. Sentara Edinburg is a roughly \$16.0 million, 60,000 square foot building housing a mini YMCA, physical and occupational therapy clinic and on-site family medicine and pediatric providers.

- Smith/Packett is constructing a new 181 unit independent, assisted living and memory care community—The Crossings at Oakbrooke. It is located just one mile from Chesapeake Regional Healthcare Center and several physician and medical service providers. The 188,000 square foot community has a total project cost of nearly \$30.0 million.
- A new retail center opened on Battlefield Boulevard with a Kroger Marketplace, Dick's Sporting Goods, Field and Stream, Home Goods, Tuesday Morning and Five Below expanding the shopping offerings available in Chesapeake.
- WalletHub named Chesapeake the tenth hardest working city in America. Chesapeake was also ranked the thirteenth most adventurous city in America and thirtieth best city for fit and happy men by Men's Health Magazine.
- WalletHub named Chesapeake the twelfth Best Place for Hispanic Entrepreneurs and ninth Best Place for Hispanic Purchasing Power.

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

Major Initiatives

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

During fiscal year 2017, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, General Fund expenditures, encumbrances and other financing uses of \$541,076,421 were \$28,487,916 or 5.0% below the revised budget. Total General Fund revenues and other financing sources of \$556,490,993 exceeded budget by \$8,362,432 or 1.5%.
- The City's Operating and Capital budgets adopted by the City Council preserved core services, funded strategic initiatives and selected services and included no tax increases.
- The City completed construction of the Dominion Boulevard Improvement Project including the Dominion Boulevard Veterans Bridge (Veterans Bridge). The project is the largest locally administered project in the Commonwealth's history and was completed approximately \$20.0 million under budget and five months before its contractual completion date. The 95-foot-high Veterans Bridge replaced the Steel Bridge and includes two new vehicular travel lanes and a dedicated 10-foot pedestrian and bicycle path separated from vehicular traffic. The Veterans Bridge eliminates drawbridges and stoplights, reduces congestion, provides an improved hurricane evacuation route and faster public safety response times.
- The City has identified the Dominion Boulevard Corridor (U.S. Route 17 South) as a key strategic area for Chesapeake. In light of emerging development demand associated with the Dominion Boulevard Bridge Replacement and Roadway Improvement Project, the City enlisted Design Workshop in February 2014 to prepare a physical development plan, as well as a strategy to maximize the economic potential of the study area. It has been recognized for several years that this corridor has tremendous future growth potential, particularly as a regional commercial destination and employment center. This is due partly to the mixed-use land classifications established under the 2026 Land Use Plan in 2005, but also because of the widened Dominion Boulevard and Veterans Bridge. The opening of Grassfield High School, creation of the Dominion Commerce Park and Dominion Commons shopping center, new residential developments and expansion of Tidewater Community College's Chesapeake Campus in recent years is setting the stage for this area to emulate the success of Greenbrier, one of the largest commercial hubs

in the region. The study is the first market-based economic development strategic land use plan for the City of Chesapeake. The market analysis stated that the Dominion Corridor Area could be a regional economic development core if developed correctly. During the study process, staff interviewed key local, regional and Commonwealth stakeholders and held three rounds of public meetings. As the process moved forward, staff also analyzed the draft recommendations to confirm it is fiscally positive for the City. The plan was approved by the Planning Commission on October 28, 2015 and adopted by the City Council on November 15, 2016.

- The City established the Naval Auxiliary Landing Field (NALF) Fentress Encroachment Protection Acquisition Program (FEPAP) in 2014. This program was created to prevent incompatible land uses from encroachment within the Fentress Airfield Overlay District and is being funded by both the Commonwealth of Virginia and the City of Chesapeake. Under FEPAP, the City acquires properties fee-simple to ensure compatible public or private use of the land. To date, the City has acquired four properties for a total of 107.5 acres. In June 2017 the City entered into a sales agreement for the purchase of an additional 163 acres and is preparing to sell restrictive easements over the four acquired properties to the U.S. Navy. FEPAP receives funding assistance from the Commonwealth of Virginia's Federal Action Contingency Trust (FACT).
- The City continues its mission of protecting and preserving Chesapeake's unique environmental assets for future generations through the Open Space and Agriculture Preservation (OSAP) Program, as well as its partnership with the U.S. Navy under the Readiness and Environmental Protection Initiative (REPI). The City applied for and was awarded \$0.1 million of matching grant funds from the Virginia Department of Agriculture in fiscal year 2016 for Purchase of Development Rights activities. The City anticipates utilizing these funds during a fifth round of the OSAP Program.
- The City receives Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) entitlement funds annually to carry out community development activities including residential rehabilitation, affordable housing development, code enforcement, public facility improvements, public services, employment training and youth development. The combined 2017 allocation was \$1.4 million.
- The Planning Department continues to administer the City's Neighborhood Stabilization Program (NSP). Twelve single family homes have been purchased, rehabbed and transferred under NSP. A portion of the \$0.6 million in NSP program income has been used to acquire and rehab two single family homes bringing the total to fourteen. The balance will be used to transfer those two homes to eligible first time homebuyers and to acquire, rehab and transfer two additional homes during fiscal year 2018.

For the Future:

- Chesapeake's future as a desirable community in which to live and work continues to show promise and opportunity. Its central location, availability of land and good transportation network will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 97,963 in 2000 to 116,459 in 2016 per the Virginia Employment Commission, an increase of 18.9% over the period. Median household income has risen from \$50,743 in 2000 to \$70,176 in 2015, per the U.S. Census Bureau.
- The City continues its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995, to an average annual growth rate of roughly 1.0% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2040 will be approximately 314,600.

Additionally, total households are projected to be 114,300, while total employment will be 167,000. This yields 1.46 jobs per household, which is considered to be a sustainable balance.

- City staff continues to plan for and implement key catalyst activities for revitalization in South Norfolk, including reallocating Tax Increment Financing (TIF) Funds authorized for use in the South Norfolk TIF District. In fiscal year 2016, the City Council authorized \$125,000 for Phase I of the Municipal Facilities Study and Development Strategy. In fiscal year 2017, the City Council approved an additional \$132,000 in TIF Funds to conduct Phase II and III of the Study. The City Council further specified that funds could be used for acquisition of legal, non-conforming residential properties in the South Hill neighborhood, as well as authorizing transition assistance for affected residents. An internal City staff steering committee is working to acquire properties on a voluntary basis.
- The City continued its partnership with the U.S. Navy to acquire property interests under multi-year encroachment protection agreements for the NALF Fentress and Naval Support Activity Norfolk Northwest Annex. Under these agreements, the Navy agrees to reimburse the City half of the purchase price of the property in exchange for a conservation easement. These purchases bolster the City's support of each installation's mission and furthers its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake. The City is conducting an application round for its land conservations programs with a view to continue acquiring properties on a voluntary basis in order to meeting program goals.
- Construction continues on several of the Planned Unit Developments in the City, including the residential component of the Gateway at SoNo, Culpepper Landing and Edinburgh as well as commercial construction at Edinburgh. During calendar years 2016 and 2017 several large residential developments were proposed that included single family homes, condominiums and apartments. The City projects a continued upward trend in the number of development proposals being submitted for review.

Financial Information

Financial Information and Significant Financial Policies

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

Minimum Fund Balance Policy. The City Council adopted a resolution effective July 1, 2014, to maintain an Unassigned Fund Balance in the General Fund at a minimum of 10.0% of the General Fund Revenues and Tax Revenues Committed to Special Revenue Funds, including Tax Increment Financing Funds. The City Council budgets 12.0% year-end Unassigned Fund Balance to ensure compliance. In the event that the Unassigned Fund Balance shall fall below 10.0% due to unexpected operating emergencies or emergency event response, the City shall develop a plan to replenish the balance to 10.0% within three years. Funds in excess of 10.0% may be retained in the Unassigned General Fund Balance, may be designated as Committed for capital projects or other non-recurring expenditure requirements or high priority needs. This policy is in addition to the 6.0% of General Fund revenue restricted for cash flow emergencies that will remain in force.

Debt Policy. In February 2007, the City Council adopted debt affordability policies that limit the overall net debt to 3.5% of assessed value of taxable real property and \$3,000 per capita. On May 10, 2015, to further limit the amount of revenues that are consumed by fixed debt service costs, the City Council approved a resolution amending the debt policy to include limiting the City's tax-supported debt service to 10.0% of budgeted general governmental revenues, effective July 1, 2015.

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

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, Grants Fund, Community Development Fund and certain other Special Revenue Funds. The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the fund level. The City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by the City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and are generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end. The City Council approves transfers of \$250,000 or greater and transfers between funds. The City Manager has been delegated authority to approve transfers less than \$250,000 with the exception of transfers between the capital and operating budgets and between capital projects.

Other Information

Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests are performed to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. The testing of major federal award programs for the fiscal year ended June 30, 2017 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Independent Audit. The City's Charter, SEC 11.06, *Annual Audit*, requires an audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City's Audit Selection Committee and approved by the City Council. In addition to meeting the requirements set forth in the City's Charter, the audit is also designed to meet the requirements of the Single Audit Act Amendment of 1996, OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance" or "UG"). The Report of Independent Auditor on the Basic Financial Statements is included in the Financial Section of this report. The Reports of Independent Auditor on internal controls and compliance can be found in the Compliance Section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the thirty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA also presented the

Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2016.

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

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



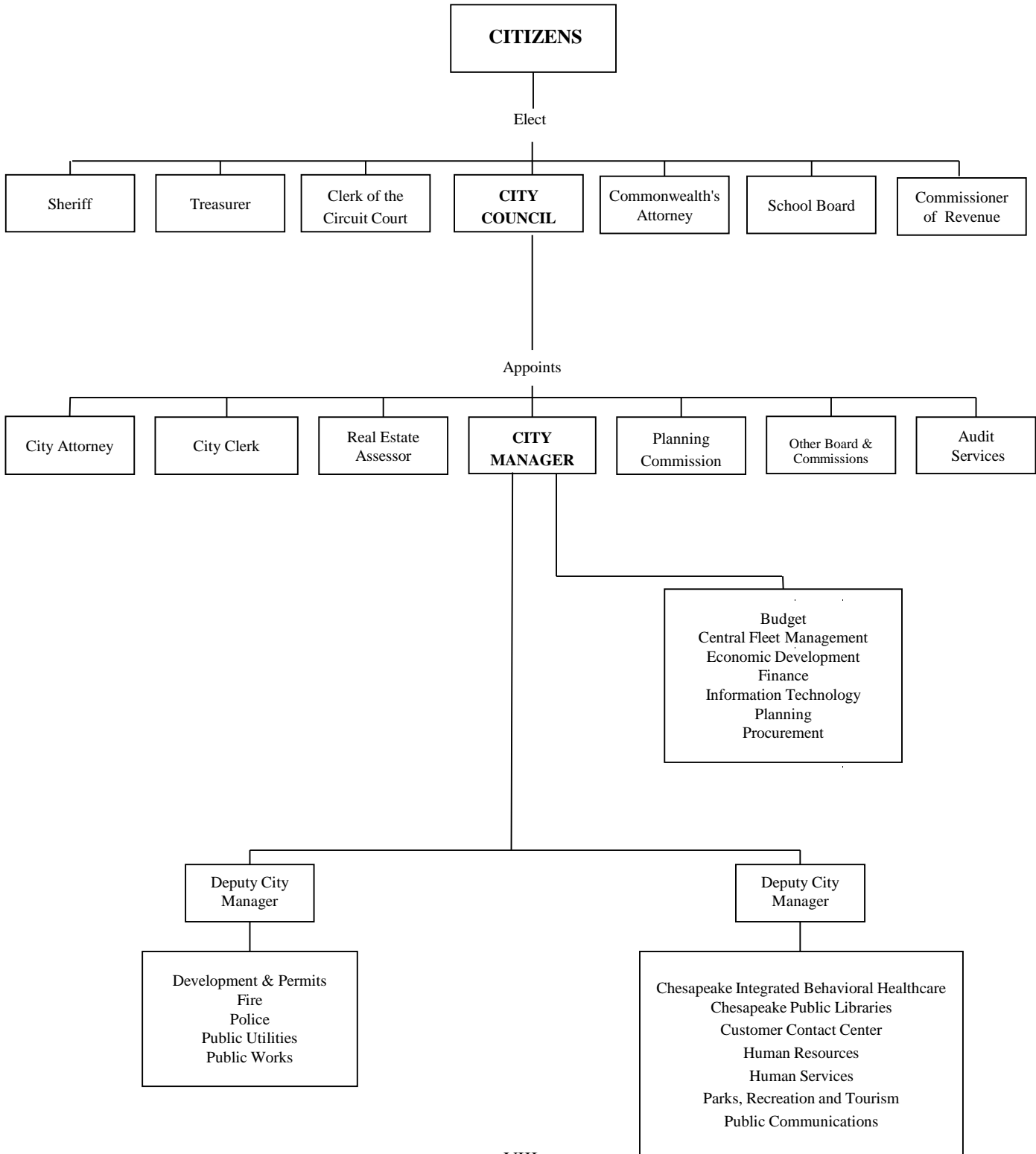
James E. Baker
City Manager

Very truly yours,



Nancy C. Tracy
Director of Finance

CITY WIDE ORGANIZATIONAL CHART



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2017

City Council

Dr. Alan P. Krasnoff..... Mayor
Dr. Richard W. West..... Vice Mayor

Lonnie E. Craig
Roland J. Davis
John M. de Triquet M. D
Robert C. Ike, Jr.
Suzy H. Kelly
S.Z. “Debbie” Ritter
Dr. Ella Ward

Other Officials

Barbara O. Carraway..... City Treasurer
Frank X. King..... Commissioner of the Revenue
Nancy G. Parr..... Commonwealth’s Attorney
James O’Sullivan..... Sheriff
James E. Baker..... City Manager
Jan L. Proctor..... City Attorney
Jay Poole..... City Auditor
Sandy Madison..... City Clerk
Gregory H. Daniels..... Real Estate Assessor
Robert Geis..... Deputy City Manager, Operations
Dr. Wanda Barnard-Bailey..... Deputy City Manager, Human Development/Community Initiatives
Randall D. Smith..... Chief Judge, Circuit Court
John W. Brown, Marjorie T. Arrington and Timothy S. Wright..... Judges, Circuit Court
Carol Mayo..... Clerk of the Circuit Court
Robert G. MacDonald..... Chief Judge, General District Court
Philip J. Infantino, Michael R. Katchmark and Stephen J. Telfeyan..... Judges, General District Court
Barbara C. Shaw..... Clerk of the General District Court
Rufus A. Banks, Jr..... Chief Judge, Juvenile and Domestic Relations Court
Eileen A. Olds and Larry D. Willis..... Judges, Juvenile and Domestic Relations Court
Marisa J. Norman..... Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence..... Director of Agriculture
Steven L. Jenkins..... Budget Director
Joseph J. Scislowicz..... Executive Director, Chesapeake Integrated Behavioral Healthcare
Maury B. Brickhouse..... Director of Court Services
Jay B. Tate..... Director of Development and Permits
Steven C. Wright..... Director of Economic Development
Nancy C. Tracy..... Director of Finance
Edmund E. Elliott, Jr..... Fire Chief
Dr. Nancy M. Welch..... Health Director
Donna L. Mears..... Director of Human Resources
Susan “Michelle” Cowling..... Director of Human Services
Charles “Chuck” Williams..... Acting Chief Information Officer
Victoria Strickland-Cordial..... Director of Libraries
Michael D. Barber..... Director of Parks, Recreation and Tourism
Jaleh M. Shea..... Director of Planning
Colonel Kelvin L. Wright..... Chief of Police
Heath Covey..... Director of Public Communications

CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2017

David Jurgens Director of Public Utilities
Eric J. Martin Director of Public Works
Richard Hartwick Acting Procurement Administrator of Purchasing

School Board

C. Jeff Bunn Chairman
Victoria L. Proffitt Vice Chairman

Samuel L. Boone, Jr.
Colleen C. Leary
Thomas L. Mercer, Sr
Harry A. Murphy
Christie New Craig
Louis J. Tayon, Jr.
Michael J. Woods

Other School Board Officials

Dr. James T. Roberts Superintendent
Dr. Jacqueline C. Miller Assistant Superintendent for Student Services
Dr. Anita B. James Assistant Superintendent for Curriculum and Instruction
Victoria Lucente Assistant Superintendent for Budget and Finance
Dr. Alan L. Vaughan Assistant Superintendent for Human Resources and School Services
J. Paige Stutz Assistant Superintendent for Operations
Dr. Jean A. Infantino Executive Director of Administrative Services / Clerk of the Board

Supplemental Listing

Donald H. Britt Secretary/Treasurer, Chesapeake Airport Authority
Steven C. Wright Executive Director, Chesapeake Port Authority
Steven C. Wright Executive Secretary, Economic Development Authority
Lisa Vanlandingham Executive Director, Elizabeth River Properties of Chesapeake, Inc.
Brenda G. Willis Executive Director, Chesapeake Redevelopment and Housing Authority
Raimundo Rivera Director of Finance and Administration,
Chesapeake Redevelopment and Housing Authority
Dreda Symonds Director, Chesapeake Mosquito Control Commission



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Chesapeake
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



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Chesapeake
VIRGINIA

Report of Independent Auditor

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc., which represent 3.21%, 2.78%, and 0.64%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc. are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Elizabeth River Properties of Chesapeake, Inc., were not audited in accordance with *Government Auditing Standards*. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

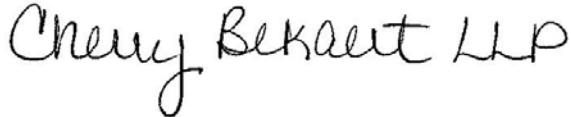
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia
November 28, 2017

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Chesapeake
VIRGINIA

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



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

The discussion and analysis of the financial performance of the City of Chesapeake (the City) provides an overall review of the City's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

- For the fiscal year ended June 30, 2017, the total net position of the City on a government-wide basis, excluding component units, was \$1.8 billion. Of this amount, \$162.2 million was unrestricted.
- The City's total net position increased by \$197.6 million from the prior year. The governmental activities' net position increased by \$159.4 million and business-type net position increased by \$38.2 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$439.3 million, an increase of \$93.6 million from the prior year. Approximately \$350.5 million or 79.8% of this amount was unrestricted (committed, assigned or unassigned).
- The General Fund, on a current financial resources basis, reported a net increase in fund balance of \$19.0 million. The original budget projected a deficit of \$10.2 million. The final amended budget resulted in a revised deficit projection of \$21.4 million. A combination of strong revenue performance of \$8.0 million or 1.5% greater than the amended budget and expenditures, exclusive of payments to Chesapeake Public Schools (CPS), of \$23.9 million or 8.1% lower than the amended budget resulted in the increase in fund balance. The expenditure performance resulted from management focus on operational efficiency and cost containment efforts coupled with recruitment challenges for some job classes.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$67.6 million or 14.4% of total General Fund expenditures (including payments to CPS).
- The total fund balance of the General Fund of \$206.7 million increased \$19.0 million from the prior year. Fund balance composition at year end was 0.6% nonspendable, 18.6% restricted, 45.5% committed, 2.6% assigned and 32.7% unassigned.
- The City's total bonded debt increased by \$60.4 million from fiscal year 2016 (approximately 9.5%).
- As part of the City's ongoing initiative to improve accuracy and develop efficiencies, the City converted the semi-monthly payroll processing cycle from paying current to paying nine days in arrears during fiscal year 2017. The weekly payroll for the City continues to be paid five days in arrears. Paying in arrears is a recognized payroll best practice. The implementation plan included an estimated amount in the original budget of \$4.0 million to cover a one-time pay advance to employees for the nine days arrears to facilitate a smooth transition. The pay advance is repaid through employee service.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The first two statements presented are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental fund* statements tell how *general government* services such as public safety are financed in the *short-term* as well as what amounts remain for future spending.
 - The *proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water and sewer) system. Also presented are internal services funds which are primarily supported through charges to other funds in order to allocate the cost of services provided.
 - The *fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong. The City's fiduciary funds consist of an Agency Fund (Special Welfare) and an Other Postemployment Benefit (OPEB) Trust Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations.
- The remaining statements are *other discretely presented component units' financial statements* that provide financial information about the Chesapeake Public Schools and the City's other discretely presented component units, which are aggregated on the *government-wide financial statements*.

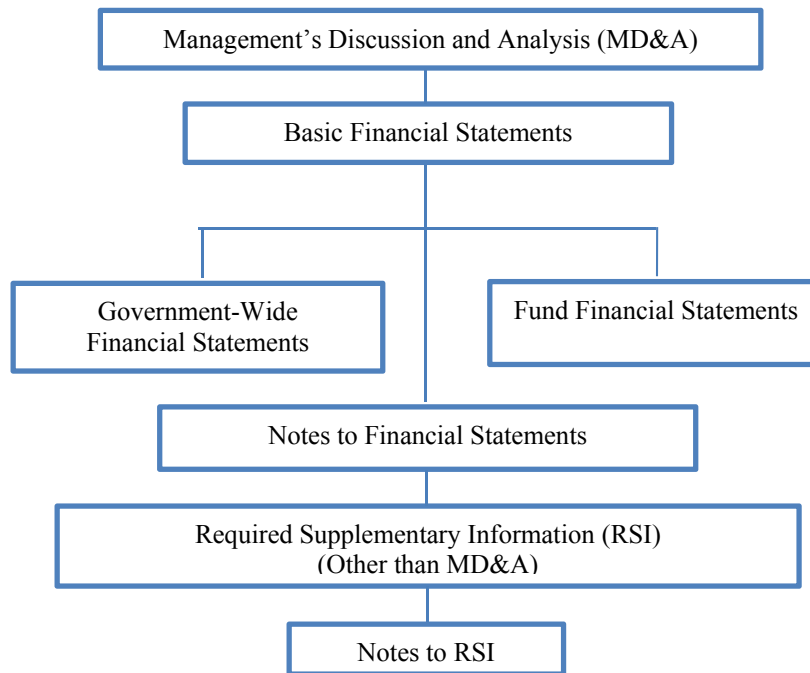
The financial statements also include *Notes to Basic Financial Statements* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section titled *Required Supplementary Information* that further explains and supports the information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

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

Required Components of the City of Chesapeake Financial Statements



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

Government-Wide Statements

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

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

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

Fund Financial Statements

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

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position totaled \$1.8 billion at the close of fiscal year 2017, an increase of \$197.6 million from the net position at June 30, 2016. By far the largest portion of the City's net position (73.8%) is net investment in capital assets (e.g., land, buildings, equipment and infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Statement of Net Position

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

June 30, 2017 and 2016
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2017	2016	2017	2016	2017	2016
Assets and Deferred Outflows						
Current and other assets	\$ 554.4	451.5	238.7	219.5	793.1	671.0
Capital assets	1,192.8	1,074.1	864.6	832.9	2,057.4	1,907.0
Total assets	1,747.2	1,525.6	1,103.3	1,052.4	2,850.5	2,578.0
Deferred outflows of resources	46.6	23.9	6.7	4.7	53.3	28.6
Total assets and deferred outflows	1,793.8	1,549.5	1,110.0	1,057.1	2,903.8	2,606.6
Liabilities and Deferred Inflows						
Current and other liabilities	86.1	72.8	24.1	23.1	110.2	95.9
Long-term liabilities	522.5	431.6	473.2	458.0	995.7	889.6
Total liabilities	608.6	504.4	497.3	481.1	1,105.9	985.5
Deferred inflows of resources	5.7	25.0	8.2	9.7	13.9	34.7
Total liabilities and deferred inflows	614.3	529.4	505.5	490.8	1,119.8	1,020.2
Net position						
Net investment in capital assets	917.8	803.4	398.1	374.3	1,315.9	1,177.7
Restricted	95.3	89.1	210.6	196.0	305.9	285.1
Unrestricted (deficit)	166.4	127.6	(4.2)	(4.0)	162.2	123.6
Total net position	1,179.5	1,020.1	604.5	566.3	1,784.0	1,586.4
Total liabilities, deferred inflows and net position	\$ 1,793.8	1,549.5	1,110.0	1,057.1	2,903.8	2,606.6

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

Approximately 17.1% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$162.2 million or 9.1%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for the Primary Government as a whole. In addition, all categories of net position for its separate governmental and business-type activities are positive balances except for the unrestricted deficit for business-type activities of \$12.4 million. Total unrestricted net position increased by \$30.4 million or 24.6% from the prior year. Total restricted net position increased \$29.0 million or 10.2%, largely due to unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas and restricted business-type activities. Lastly, net investment in capital assets increased \$138.2 million or 11.7%. The City's total net position increased by \$197.6 million or 12.5% during the fiscal year.

Governmental Activities

The increase in net position from the prior fiscal year was \$159.4 million, as shown on the Statement of Activities. This increase is attributable to the excess of revenues over expenses of \$161.2 million net of \$1.8 million of transfers.

Revenues for the City's governmental activities were \$745.7 million, representing an increase of \$101.0 million over fiscal year 2016. The net increase was primarily due to a combination of increases of \$87.4 million in grants and contributions, \$14.0 million in taxes and \$0.3 million in charges for services. Total donated land and infrastructure assets, including roads, of \$104.7 million were reported in the public works function versus \$20.6 million in the prior fiscal year.

General revenues increased \$13.3 million over the prior year. Real and personal property taxes, the largest source of the City revenues, showed an increase of \$12.1 million or 3.9%. This increase is mainly due to an increase in assessments of 3.3% in real estate coupled with other property taxes increasing \$1.9 million or 1.5%.

Expenses increased by \$25.4 million or 4.5%. Major increases are in the following functional areas: \$20.2 million in general government, \$6.0 million in public works, \$2.7 million in public welfare and \$2.2 million in public safety. These were offset by decreases in the following functional areas: \$5.0 million in parks and recreation and \$1.1 million in education.

Business-type Activities

The increase in net position from the prior fiscal year was \$38.2 million. These resources cannot be used to offset any net deficit in governmental activities. The City generally can only use this net position to finance the continuing operations of its enterprise operations, which include Public Utilities, Chesapeake Transportation System and Stormwater Management. Increases in capital assets were mainly attributable to construction in progress, the capitalization of the Dominion Boulevard Veterans Bridge in the Chesapeake Transportation System and \$10.6 million of deeded and donated assets from developers reported in the Public Utilities Fund. Total revenues increased \$17.1 million or 15.0% for business-type activities primarily due to increases in charges for services and capital grants and contributions.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2017

Statement of Activities

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

Year Ended June 30, 2017 and 2016
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 34.4	34.1	109.5	99.5	143.9	133.6
Operating grants and contributions	111.2	108.4	1.7	1.4	112.9	109.8
Capital grants and contributions	107.7	23.1	19.7	12.9	127.4	36.0
General revenues						
Property taxes	323.9	311.8	-	-	323.9	311.8
Other taxes	131.2	129.3	-	-	131.2	129.3
Grants and contributions not restricted to specific program	32.1	32.2	-	-	32.1	32.2
Unrestricted investment earnings	2.3	2.2	-	-	2.3	2.2
Other	2.9	3.6	-	-	2.9	3.6
Total revenues	745.7	644.7	130.9	113.8	876.6	758.5
Expenses						
General government	145.4	125.2	-	-	145.4	125.2
Public safety	93.1	90.9	-	-	93.1	90.9
Public works	58.9	52.9	-	-	58.9	52.9
Parks and recreation	3.4	8.4	-	-	3.4	8.4
Public welfare	48.4	45.7	-	-	48.4	45.7
Education	207.4	208.5	-	-	207.4	208.5
Public utilities	-	-	61.2	59.8	61.2	59.8
Chesapeake Transportation System	-	-	20.5	9.0	20.5	9.0
Stormwater management	-	-	12.8	11.5	12.8	11.5
Interest on long-term debt	12.7	12.2	-	-	12.7	12.2
Depreciation and Amortization unallocated	15.2	15.3	-	-	15.2	15.3
Total expenses	584.5	559.1	94.5	80.3	679.0	639.4
Excess (deficiency) before transfers	161.2	85.6	36.4	33.5	197.6	119.1
Transfers	(1.8)	0.2	1.8	(0.2)	-	-
Increase (decrease) in net position	159.4	85.8	38.2	33.3	197.6	119.1
Net Position - beginning	1,020.1	934.3	566.3	533.0	1,586.4	1,467.3
Net Position - ending	\$ 1,179.5	1,020.1	604.5	566.3	1,784.0	1,586.4

CITY OF CHESAPEAKE, VIRGINIA

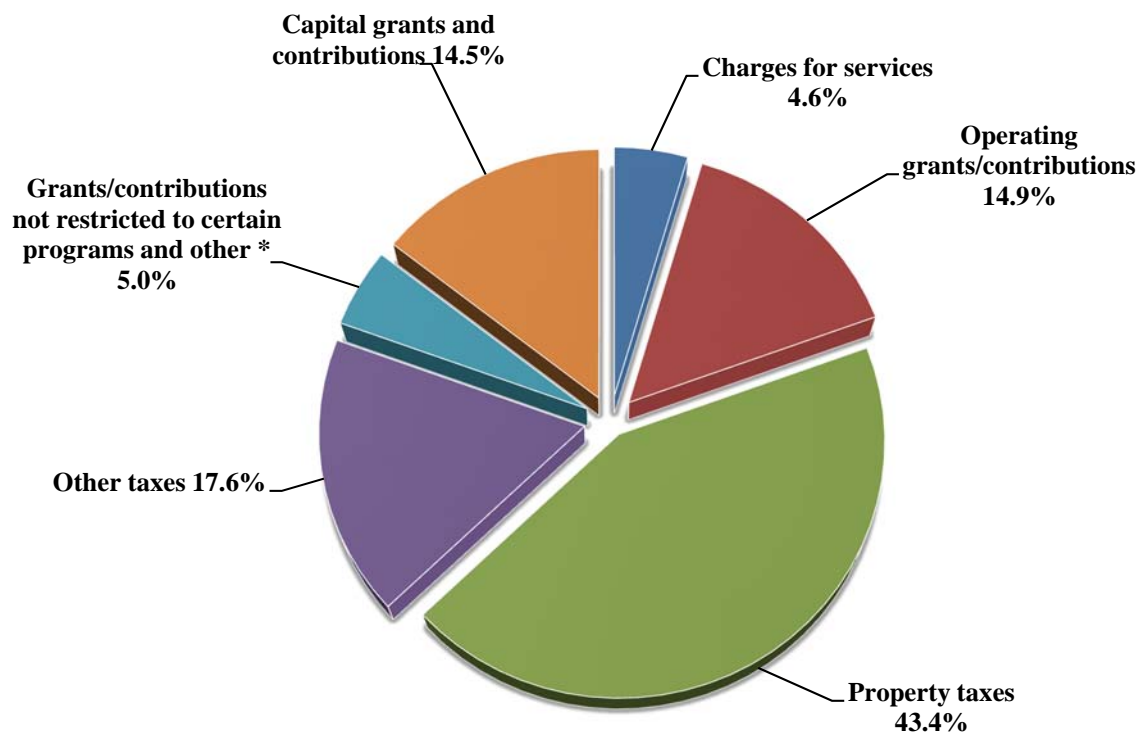
Management's Discussion and Analysis
Year Ended June 30, 2017

Governmental Activities

The City's total revenues from governmental activities were \$745.7 million for the fiscal year ended June 30, 2017. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$323.9 million and accounted for 43.4% of total revenues. Property taxes increased \$12.1 million or 3.9% from the prior year, primarily due to an increase in assessments of 3.3% in real estate coupled with other property taxes increasing \$1.9 million or 1.5%. Both the personal property tax and the real estate tax rates remained unchanged in fiscal year 2017.

Revenues from other taxes, \$131.2 million, make up 17.6% of the City's revenues and increased 1.5% from the prior fiscal year. This revenue increase was primarily driven by consumer spending activity reflected in increased taxes on sales, business license, restaurant meals and hotel/motel rooms. Approximately 61.0% of the City's revenue from governmental activities comes from some type of tax and 4.6% comes from fees charged for services.

Revenues by Source – Governmental Activities – Year Ended June 30, 2017



* Other includes unrestricted investment earnings and other general revenues

CITY OF CHESAPEAKE, VIRGINIA

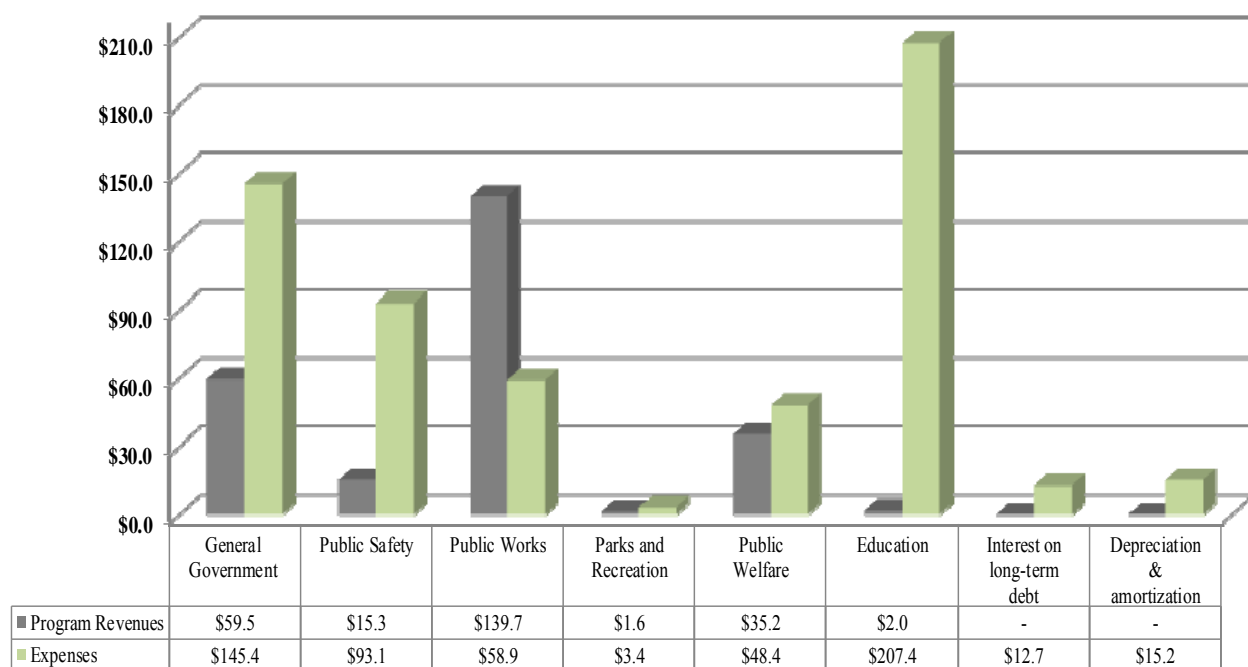
Management's Discussion and Analysis
Year Ended June 30, 2017

The City's expenses for governmental activities cover a wide range of services, with \$93.1 million or 15.9% related to public safety, \$48.4 million or 8.3% for public welfare and \$58.9 million or 10.1% for public works. Education continues to be the City's largest program. Education expenses totaled \$207.4 million (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2017. Overall expenses for governmental activities increased by \$25.4 million from fiscal year 2016, primarily due to expense increases of \$20.2 million in general government, \$6.0 million in public works, \$2.7 million in public welfare and \$2.2 million in public safety, offset by expense decrease of \$5.0 million in parks and recreation and \$1.1 million in education.

Expenses and Program Revenues – Governmental Activities

Year Ended June 30, 2017

(in millions)



Business-type Activities

Net position for the City's business-type activities reached \$604.5 million, an increase of \$38.2 million from the prior year. For fiscal year 2017, total revenues of business-type activities increased \$17.1 million mainly due to increases in charges for services and capital grants and contributions. Charges for services of \$109.5 million, including water and sewer utility fees, toll revenues and stormwater fees, increased \$10.0 million or 10.1% and made up 83.7% of total revenues for business-type activities. Total expenses for fiscal year 2017 were \$94.5 million, an increase of \$14.2 million over fiscal year 2016.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2017, the governmental funds reported combined ending fund balances of \$439.3 million, an increase of \$93.6 million from the prior year. Included in this increase are the following major transactions in governmental funds for the year ended June 30, 2017:

- \$199.2 million contributed from the City's General Fund to finance the Public School operations
- \$85.6 million in proceeds from the issuance of general obligation bonds and premiums to fund capital items
- \$51.6 million spent in the Capital Projects Fund to fund capital items
- \$11.3 million of tax revenues generated by incremental increases in property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts

The City's Other Postemployment Benefits Trust Fund, established in 2008, committed to fund the fiscal year 2017 current premiums portion of the pay-go, \$3.4 million, by recognizing \$3.1 million as a payment in lieu of receiving the annual required contribution and recording a payable to the City at June 30, 2017 for the net of the two amounts.

Approximately \$350.5 million of the combined total fund balances constitute unrestricted fund balance, which is comprised of funds committed at the discretion of City Council, as well as assigned and unassigned funds. The \$166.9 million unrestricted funds in the General Fund represent 35.5% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2017 were as follows:

- \$56.3 million committed for one time projects
- \$46.7 million committed for current capital projects
- \$21.8 million committed for future capital projects
- \$20.3 million committed for various programs and projects
- \$92.5 million assigned for future capital projects
- \$16.1 million assigned for debt service
- \$29.3 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2017, the unassigned fund balance, includes \$67.6 million in the General Fund, the City's chief operating fund, and is in compliance with the City's fund balance policy. The restricted fund balance totals \$87.3 million at year end and includes \$33.8 million for General Fund cash flow emergencies (6.0% of revenue as required by City Charter).

Total fund balance of the General Fund increased by \$19.0 million during fiscal year 2017, primarily due to the following increases: \$10.6 million or 3.5% in property taxes revenues, \$5.0 million or 5.7% in revenues from the Commonwealth of Virginia, \$1.8 million or 1.5% in other local taxes and \$1.4 million or 12.0% in charges for services. Total expenditures increased by \$22.1 million or 4.9% from the prior fiscal year. The major contributing factors are increases in payments to Schools of \$12.6 million or 6.7% and expenditure increases of \$5.0 million or 4.9% for general government and \$4.8 million or 5.6% for public safety.

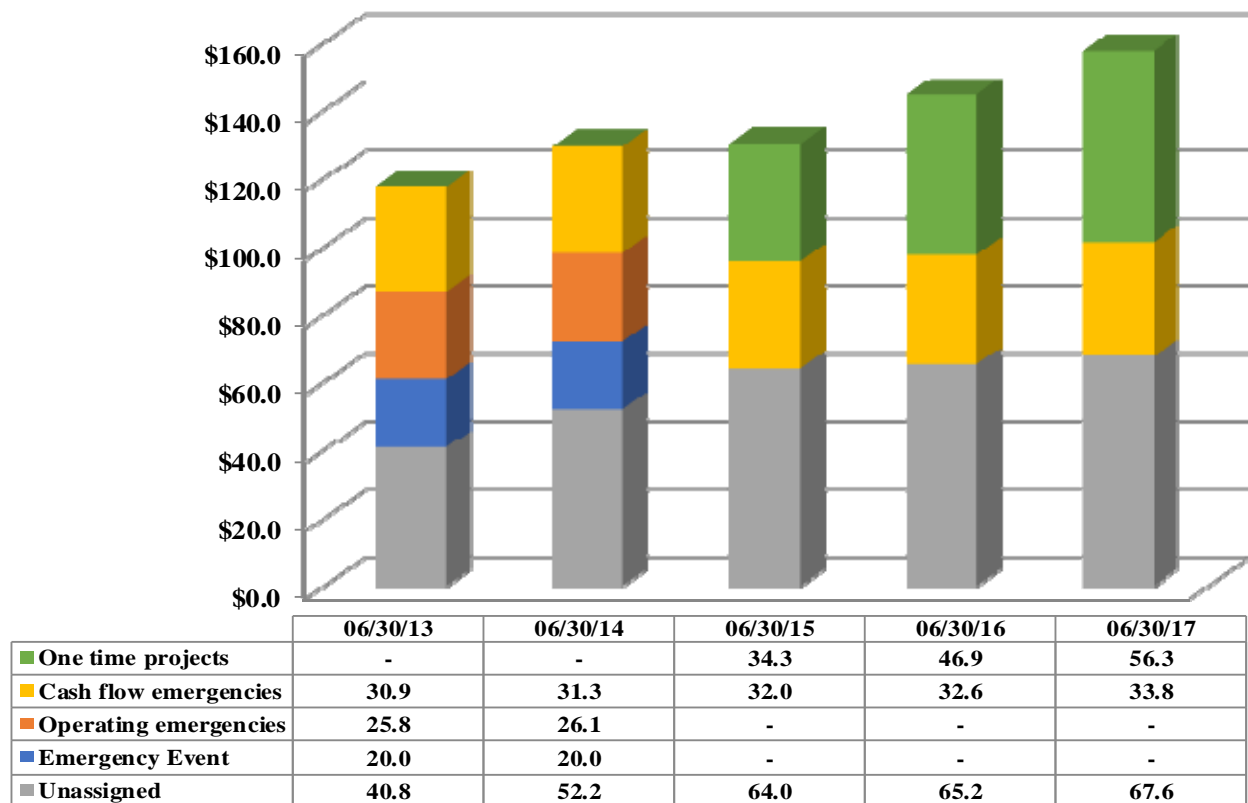
CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

The City Charter requires that a minimum of 6.0% of total General Fund revenues be set aside in fund balance for emergency cash flow needs which may arise throughout the fiscal year. The restriction for cash flow emergencies totaled \$33.8 million at June 30, 2017. The City maintains a fund balance policy that was updated most recently to be effective beginning fiscal year 2015. This policy requires the maintenance of an unassigned fund balance equal to at least 10.0% of General Fund revenues and tax revenues committed to certain special revenue funds. City Council budgets for a 12.0% year-end unassigned fund balance to ensure compliance.

The fund balance policy implemented in fiscal year 2015 also created a committed fund balance category for one time projects. In addition to \$56.3 million committed for one time projects, \$88.8 million has been committed for other purposes including \$21.8 million set aside for lockbox funds for School and City capital projects to be used for future debt service and pay-as-you go financing.

General Fund Selected components of the City's fund balance (in millions)



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$67.6 million at June 30, 2017. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects and retain its sound financial position.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

Summary of Changes in General Fund Unassigned Fund Balance

Year ended June 30, 2017

(in millions)

Unassigned fund balance at June 30, 2016		\$ 65.2
Revenues	\$ 552.6	
Expenditures:		
Current, Capital Outlay and Debt Service	470.3	
Other financing sources (uses)	(63.3)	
Net Change in fund balance	19.0	
Increase in reservations (Restricted, Committed and Assigned)	(16.6)	
Increase in unassigned fund balance		2.4
Unassigned fund balance at June 30, 2017		\$ 67.6

The Debt Service Fund ended the year with \$16.2 million in total fund balance, a decrease of \$3.1 million from 2016. The decrease is mainly due to a \$4.1 million planned use of fund balance offset by \$0.8 million in unbudgeted transfers from capital project funds resulting from interest earnings on bond proceeds. The assigned fund balance of \$16.2 million is for the payment of debt service as directed by City Council.

The total fund balance of the Capital Project Fund increased by \$72.8 million as a result of \$51.6 million in capital outlay offset by \$11.5 million of revenues (primarily intergovernmental and revenues from local developers) and \$112.9 million in other financing sources and uses, of which \$85.7 million is from the issuance of General Obligation bonds in March 2017.

Proprietary Funds

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

For the fiscal year 2017, Public Utilities reported an increase in net position of \$26.5 million to \$459.3 million at June 30, 2017. Total operating revenues of \$75.9 million were \$4.0 million more than the prior year primarily due to a 4.9% rate increase effective July 1, 2016 in billing rates for both water and sewer. Total operating expenses for fiscal year 2017 were \$57.1 million, an increase of \$1.9 million from the prior year.

Chesapeake Transportation System reported operating revenues for fiscal year 2017 of \$17.6 million versus \$11.9 million for fiscal 2016. The increase is due primarily to \$4.0 million in additional toll revenue collected from the opening of the new Dominion Boulevard Veterans Bridge Toll Road. Operating expenses for the year amounted to \$15.4 million, with \$8.8 million from depreciation and amortization. Net position increased by \$5.4 million from the prior year.

Stormwater Management had \$43.6 million in restricted net position at June 30, 2017, an increase of \$2.9 million from fiscal 2016. Operating revenues were \$16.0 million. Operating expenses totaled \$10.9 million, a 6.7% increase from the previous fiscal year. Any fees collected in excess of current operating needs are restricted for use on future Stormwater projects around the City. The majority of the operating expense increase was due to filling vacancies and the associated payroll and benefits expenses. Stormwater utility fees remain unchanged from January 1, 2010.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Year Ended June 30, 2017
(in millions)

	Original Budget*	Amended Budget	Actual
Revenues:			
Taxes	\$ 430.4	430.4	432.5
Intergovernmental	87.5	88.2	92.9
Other	25.7	25.8	27.0
Total	543.6	544.4	552.4
Expenditures and transfers:			
Expenditures *	292.0	295.0	271.1
Transfers (net)	261.8	270.8	262.3
Total	553.8	565.8	533.4
Change in fund balance	\$ (10.2)	(21.4)	19.0

* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of \$3.4 million for encumbrances reappropriated from June 30, 2016.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of \$0.8 million, a \$3.0 million increase in appropriations and a net increase of \$9.0 million in transfers resulting in an \$11.2 million decrease to the change in fund balance. Major changes included the following:

- Funding source change of \$6.3 million per approved FY17 CIP Budget Amendment.
- Emergency appropriation of \$4.4 million for Hurricane Matthew to the Emergency Event Storm Contingency account to fund Storm & Recovery costs.
- Appropriation of \$0.6 million of City lockbox committed fund balance for additional funds for the Fire Station 10 / Logistics Support Center capital project (Department of Public Utilities).

Actual total revenues were above the amended budget by \$8.0 million, primarily due to other state grants and general property taxes. The other state grants increase is an investment grant in the amount of \$4.0 million awarded to the Economic Development Authority by the Governor's Development Opportunity Fund in connection with the expansion of Dollar Tree's headquarters in the Greenbrier area. The balance of the increase in revenues is due to general property taxes of \$3.5 million more than the amended budget. This increase is primarily comprised of current taxes on real property of \$1.3 million, delinquent taxes on personal property of \$1.0 million and current taxes on public service corporations of \$0.8 million.

Expenditures were below the amended budget by \$24.0 million or 8.1%, prior to encumbrances. The general government category returned \$11.7 million or 9.8% of its budget, in part due to cost savings resulting from employee retirements and vacancies. Departments with notable savings include Sheriff – \$2.0 million, Treasurer – \$1.0 million, Regional cooperation and support – \$0.9 million and Public library – \$0.7 million. Emergency event – 2016 Hurricane Matthew ended the year with a favorable budgetary variance of \$3.2 million. This includes \$2.5 million that was committed for the fiscal year 2018 repair of the Chesapeake Expressway interchange at Mount Pleasant Road. Public Works departments were \$6.0 million or 8.9% below the amended budget mainly in street maintenance – \$1.1 million, contractual services – \$1.0 million and drainage – \$0.9 million. The two rate stabilization credits connected with Southeastern Public Service Authority (SPSA) supported savings in the SPSA category of \$1.8 million. Additionally, public safety departments were \$4.1 million or 4.3% below the amended budget. The police and fire departments

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

generated the most savings at \$2.0 million and \$1.8 million, respectively. Although the amended budget called for a reduction of \$21.4 million in fund balance, the actual revenues and expenditures resulted in a net increase in fund balance of \$19.0 million, a positive budget variance of \$40.4 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to approximately \$2.1 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings, improvements, machinery and equipment, drainage and water/sewer systems, roads, bridges and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of \$151.2 million or 7.9% – an increase of 11.1% for governmental activities and an increase of 3.8% for business-type activities primarily due to the completion of various projects, including donated infrastructure from local developers as well as various construction projects in progress.

Capital Assets (net of accumulated depreciation)

June 30, 2017 and 2016

(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2017	2016	2017	2016	2017	2016
Land	\$ 60.0	58.5	95.2	22.3	155.2	80.8
Intangibles	333.3	285.2	3.8	3.7	337.1	288.9
Construction in progress	129.7	104.1	73.0	397.4	202.7	501.5
Buildings	333.1	345.6	4.3	3.6	337.4	349.2
Improvements other than buildings	30.1	19.7	2.6	2.7	32.7	22.4
Software, equipment and vehicles	61.3	59.0	12.4	6.3	73.7	65.3
Infrastructure	245.3	202.0	673.3	396.9	918.6	598.9
Total	\$ 1,192.75	1,074.1	864.6	832.9	2,057.4	1,907.0

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

- Completed capital projects totaling \$329.3 million for business-type activities.
- Completed capital projects totaling \$26.7 million for governmental activities.
- Construction in progress totaled \$129.7 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$73.0 million for business-type activities, which includes Public Utilities, Chesapeake Transportation System and Stormwater projects.

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

The City's fiscal year 2018 capital budget provides approximately \$143.3 million for various capital projects. Some of the major categories include \$32.4 million for economic development, \$28.4 million for transportation projects, \$26.3 million in school related projects, \$18.2 million for Public Utilities projects, \$17.4 million for public safety projects, \$7.4 million for Stormwater projects and \$4.2 million for community facilities projects. Projects budgeted to commence in fiscal year 2018 include:

- Deep Creek bridge replacement
- Oscar Smith building addition
- Joint Juvenile Justice Facility
- Relocation of Deep Creek Fire Station #8
- Greenbrier Commercial District and Dollar Tree Development related improvements

Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans and an installment purchase agreement) of \$697.1 million. Of this amount, \$390.0 million comprises debt backed by the full faith and credit of the City and \$307.1 million is debt secured by revenues of the Water and Sewer System and Chesapeake Transportation System toll revenues.

City of Chesapeake Outstanding Debt June 30, 2017 and 2016 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	2017	2016	2017	2016	2017	2016
General obligation bonds*	\$ 316.2	\$ 262.6	71.9	77.8	388.1	340.4
Revenue bonds*	-	-	307.1	294.2	307.1	294.2
Literary loans	0.6	0.8	-	-	0.6	0.8
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 318.1	\$ 264.7	379.0	372.0	697.1	636.7

*does not include bond premiums and discounts.

Chesapeake's total debt increased by \$60.4 million during fiscal year 2017. The City issued \$81.8 million of general obligation public improvement and refunding bonds. Additionally the City sold \$20.0 million of general obligation water and sewer refunding bonds. The City refunded a total of \$26.3 million of bonds for the purpose of achieving interest savings and retired \$28.9 million. The Chesapeake Transportation System Convertible Capital Appreciation Bonds increased \$2.5 million due to accreted interest. Also, the City borrowed an additional \$11.3 million from the Virginia Transportation Infrastructure Bank (VTIB) to fund ongoing construction for the Chesapeake Transportation System. The VTIB debt has a subordinate lien.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.0% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2.5 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2017 for the City of Chesapeake was 4.2%, a slight decline from the 2016 rate of 4.3%. This compares to the average unemployment rates of 4.5% for the region, 4.0% for Virginia and 4.7% nationally for the same time period.
- The Hampton Roads Planning District Commission projects Chesapeake's total population for 2040 will be approximately 314,600.
- The City's real estate tax base increased by \$803.8 million or 3.3% from the prior year. Personal property taxes experienced a \$0.6 million or 0.8% increase from fiscal year 2016 to fiscal year 2017.
- Taxable retail sales for calendar year 2016 increased by \$82.9 million or 2.4%.
- As a result of the issuance of Virginia Public School Authority's 2016 refunding bonds, the City will be receiving approximately \$0.9 million in savings that will be allocated over the remaining amortization period for the City's bonds, whose original purpose finances School assets, which have a final maturity date of 2031. The savings commenced during fiscal year 2017. The Virginia Public School Authority also refunded bonds in 2017 and the City will be receiving approximately \$0.4 million in savings that will be allocated over the remaining amortization period for the City's bonds which have a final maturity of 2031. The savings will begin during fiscal year 2018.
- The City will continue to focus on core service delivery for the next three to five years. To help address the identified City and School capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing the City's budget for fiscal year 2019. Additionally, the City budget process includes detailed three-year resource requirements in order to improve projections, to further support strategic planning and to maintain the City's fiscal stability and strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



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Chesapeake
VIRGINIA

Government-Wide Financial Statements



Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and temporary investments (note 2)	\$ 301,241,120	84,556,444	385,797,564	49,808,397	10,501,065
Receivables, net of allowance for uncollectible amounts (note 3)	99,922,608	25,466,497	125,389,105	30,499,788	38,772
Due from component units, net of allowance for uncollectible amounts (note 7)	196,100	-	196,100	-	-
Internal balances (note 8)	7,351,218	(7,351,218)	-	-	-
Inventories	1,724,555	1,682,737	3,407,292	2,602,825	12,307,606
Prepaid expenses	3,576,572	87,956	3,664,528	94,236	126,709
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	29,467,342	29,467,342	-	-
Cash restricted for debt service	-	5,104,539	5,104,539	-	-
Cash restricted for debt service with trustee	-	17,830,355	17,830,355	-	-
Cash with State Set-Aside	643,264	-	643,264	-	-
Capital construction:					
Cash and temporary investments	138,776,216	72,263,440	211,039,656	22,476,133	-
Cash and temporary investments with trustee	56	8,638,650	8,638,706	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	941,829	-	941,829	-	-
Capital Assets (notes 4, 6 and 9):					
Land	60,031,525	95,246,531	155,278,056	17,277,065	3,205,633
Intangibles	333,306,396	3,827,304	337,133,700	-	-
Construction in progress	129,674,469	73,006,904	202,681,373	9,889,639	-
Buildings	611,789,865	6,584,139	618,374,004	216,732,858	3,698,774
Improvements other than buildings	59,748,321	3,858,249	63,606,570	5,604,230	21,651,303
Software, equipment and vehicles	168,099,334	24,717,853	192,817,187	78,980,353	1,805,400
Infrastructure	1,187,092,807	982,284,415	2,169,377,222	-	-
Accumulated depreciation	(1,356,877,625)	(324,905,310)	(1,681,782,935)	(86,492,868)	(17,641,115)
Total assets	1,747,238,630	1,103,366,827	2,850,605,457	347,472,656	35,694,147
Deferred Outflows of Resources (note 5)	46,586,417	6,644,865	53,231,282	61,054,773	549,389
Total assets and deferred outflows of resources	\$ 1,793,825,047	1,110,011,692	2,903,836,739	408,527,429	36,243,536
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Accounts payable, deposits and accrued expenses (notes 3 and 16)	\$ 31,011,879	14,971,917	45,983,796	52,983,519	478,597
Unearned revenues	4,810,557	1,147,015	5,957,572	-	27,402
Due to Primary Government (note 7)	-	-	-	-	1,515,195
Long-term liabilities (notes 6, 9, 10, 11 and 16):					
Due within one year	50,271,510	8,005,094	58,276,604	3,340,115	90,000
Due in more than one year	522,596,252	473,167,700	995,763,952	754,525,886	1,893,874
Total liabilities	608,690,198	497,291,726	1,105,981,924	810,849,520	4,005,068
Deferred Inflows of Resources (note 5)	5,653,249	8,189,930	13,843,179	24,570,295	554,341
Net Position					
Net investment in capital assets	917,873,047	398,107,933	1,315,980,980	233,871,850	11,708,895
Restricted for:					
Capital projects	7,573,672	97,882,413	105,456,085	18,863,830	-
Debt service	800,317	33,684,535	34,484,852	-	-
Other purposes:					
Expendable:					
General Fund - state and federal restrictions	37,878,293	-	37,878,293	-	-
Special Projects	48,628,273	-	48,628,273	-	-
Educational Purposes	182,815	-	182,815	25,493,374	-
Public Works	56	-	56	-	-
Public Utilities Operations	-	59,979,372	59,979,372	-	-
Chesapeake Transportation System Operations	-	15,426,905	15,426,905	-	-
Stormwater Management Operations	-	3,631,477	3,631,477	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	300,868
Chesapeake Airport Authority	-	-	-	-	209,366
Nonexpendable - Special Projects	171,664	-	171,664	-	-
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	166,360,668	(4,182,599)	162,178,069	(705,121,440)	19,464,998
Total net position	1,179,481,600	604,530,036	1,784,011,636	(426,892,386)	31,684,127
Total liabilities, deferred inflows and net position	\$ 1,793,825,047	1,110,011,692	2,903,836,739	408,527,429	36,243,536

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

CITY OF CHESAPEAKE, VIRGINIA
Statement of Activities
Year Ended June 30, 2017

Schedule B

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Discretely Presented			
					Governmental Activities	Business-type Activities	Total	Public Schools	Others	
PRIMARY GOVERNMENT										
Governmental activities:										
General government	\$ 145,413,520	18,626,308	40,469,287	414,256	(85,903,669)	-	(85,903,669)	-	-	-
Public safety	93,094,728	6,842,159	8,129,311	285,738	(77,837,520)	-	(77,837,520)	-	-	-
Public works	58,915,648	433,412	33,945,136	105,318,484	80,781,384	-	80,781,384	-	-	-
Parks and recreation	3,415,829	1,273,734	299,439	-	(1,842,656)	-	(1,842,656)	-	-	-
Public welfare	48,443,596	7,269,310	27,927,061	-	(13,247,225)	-	(13,247,225)	-	-	-
Education	207,382,512	-	404,392	1,653,045	(205,325,075)	-	(205,325,075)	-	-	-
Interest on long term debt	12,696,190	-	-	-	(12,696,190)	-	(12,696,190)	-	-	-
Depreciation and amortization - net unallocated portion (note 4)	15,216,230	-	-	-	(15,216,230)	-	(15,216,230)	-	-	-
Total governmental activities	584,578,253	34,444,923	111,174,626	107,671,523	(331,287,181)	-	(331,287,181)	-	-	-
Business-type activities:										
Public Utilities	61,195,818	75,891,505	1,185,512	10,569,306	-	26,450,505	26,450,505	-	-	-
Chesapeake Transportation System	20,513,144	17,591,317	285,587	8,203,580	-	5,567,340	5,567,340	-	-	-
Stormwater Management	12,825,364	16,031,408	252,398	895,198	-	4,353,640	4,353,640	-	-	-
Total business-type activities	94,534,326	109,514,230	1,723,497	19,668,084	-	36,371,485	36,371,485	-	-	-
Total Primary Government	\$ 679,112,579	143,959,153	112,898,123	127,339,607	(331,287,181)	36,371,485	(294,915,696)	-	-	-
COMPONENT UNITS										
Public Schools	\$ 488,960,206	18,635,543	94,757,560	392,204	-	-	-	(375,174,899)	-	378,485
Chesapeake Mosquito Control Commission	4,013,749	-	4,392,234	-	-	-	-	-	-	10,668
Economic Development Authority	642,787	-	653,455	-	-	-	-	-	-	935,386
Chesapeake Port Authority	19,642	1,200	953,828	-	-	-	-	-	-	1,718,250
Chesapeake Airport Authority	1,270,448	466,335	2,522,363	-	-	-	-	-	-	(76,733)
Elizabeth River Properties of Chesapeake, Inc	225,496	106,776	41,987	-	-	-	-	-	-	2,966,056
Total component units	\$ 495,132,328	19,209,854	103,321,427	392,204	-	-	-	(375,174,899)	-	-
General revenues:										
Taxes:										
Property taxes, levied for general purposes					\$ 323,945,517	-	323,945,517	-	-	-
Local sales and use taxes					39,192,394	-	39,192,394	-	-	-
Consumer utility taxes					10,631,194	-	10,631,194	-	-	-
Communication sales tax					11,225,149	-	11,225,149	-	-	-
Business license taxes					26,124,990	-	26,124,990	-	-	-
Local utility consumption tax					842,044	-	842,044	-	-	-
Bank stock taxes					1,439,784	-	1,439,784	-	-	-
Taxes on recordation and wills					3,286,793	-	3,286,793	-	-	-
Tobacco taxes					4,415,339	-	4,415,339	-	-	-
Hotel and motel room taxes					6,079,495	-	6,079,495	-	-	-
Restaurant food taxes					26,264,302	-	26,264,302	-	-	-
Admission taxes					937,434	-	937,434	-	-	-
Short-term rental taxes					692,368	-	692,368	-	-	-
Payment from City					-	-	-	199,801,485	-	-
Grants and contributions not restricted to specific programs					32,146,547	-	32,146,547	163,341,019	-	-
Unrestricted investment earnings					2,307,567	-	2,307,567	450,365	-	-
Miscellaneous					2,936,430	-	2,936,430	987,988	-	-
Transfers					(1,827,101)	1,827,101	-	-	-	-
Total general revenues and transfers					490,640,246	1,827,101	492,467,347	364,580,857	-	-
Change in net position					159,353,065	38,198,586	197,551,651	(10,594,042)	2,966,056	-
Net position - beginning					1,020,128,535	566,331,450	1,586,459,985	(416,298,344)	28,718,071	-
Net position - ending					\$ 1,179,481,600	604,530,036	1,784,011,636	(426,892,386)	31,684,127	-

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

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Fund Financial Statements



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Governmental Fund Financial Statements

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

Other Governmental Funds – Include Special Revenue and Permanent Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 174,004,031	16,047,435	-	72,375,777	262,427,243
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	3,356,494	-	-	-	3,356,494
State categorical aid	1,664,334	-	-	-	1,664,334
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	105,242	-	3,863,039	1,700,214	5,668,495
Federal government	-	-	2,154,371	3,268,243	5,422,614
Receivables (note 3):					
Property taxes	37,011,508	-	-	-	37,011,508
Accounts receivable	7,504,422	-	-	5,039,767	12,544,189
Utility taxes	2,928,151	-	-	-	2,928,151
Interest	416,807	38,416	-	153	455,376
Fines	189,755	-	-	847,208	1,036,963
Ambulance fees	5,005,326	-	-	-	5,005,326
Restaurant and food tax	2,417,555	-	-	-	2,417,555
Other	1,997,582	-	-	484,082	2,481,664
Allowance for uncollectible amounts	(5,641,598)	-	-	(3,284,972)	(8,926,570)
Inventory	1,289,627	-	-	2,771	1,292,398
Due from other funds (note 8)	187,684	-	577,248	-	764,932
Prepaid expenditures and other assets	22,216	-	-	171,664	193,880
Restricted assets (note 2):					
Cash with state set-aside (note 6)	643,264	-	-	-	643,264
Capital construction:					
Cash and temporary investments	-	-	138,776,216	-	138,776,216
Cash and temporary investments with trustee	-	-	56	-	56
Investments	-	-	-	941,829	941,829
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	82,362	113,738	-	-	196,100
Allowance for doubtful accounts	(1,319,095)	-	-	-	(1,319,095)
Total assets	\$ 261,774,763	16,199,589	145,370,930	81,546,736	504,892,018
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 5,707,570	1,300	-	3,197,462	8,906,332
Deposits (note 3)	3,224,576	-	-	-	3,224,576
Accrued expenditures (note 3)	5,457,852	-	-	805,826	6,263,678
Unearned revenue	290,750	-	1,191,391	94,568	1,576,709
Other liabilities (note 3)	847,383	-	-	3,363	850,746
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	5,030,474	-	5,030,474
Due to Commonwealth of Virginia	720	-	-	142	862
Due to other funds (note 8)	-	-	-	187,684	187,684
Total liabilities	15,528,851	1,300	6,221,865	4,289,045	26,041,061
Deferred Inflows of Resources (note 5)	39,536,639	-	-	-	39,536,639
Fund Balances (note 12)					
Nonspendable	1,311,843	-	-	184,459	1,496,302
Restricted for cash flow emergencies	33,795,931	-	-	-	33,795,931
Restricted other	4,725,626	113,738	56	48,697,350	53,536,770
Committed for one time projects	56,288,856	-	-	-	56,288,856
Committed other	37,702,547	-	46,664,199	4,389,392	88,756,138
Assigned	5,292,608	16,084,551	92,484,810	23,986,490	137,848,459
Unassigned	67,591,862	-	-	-	67,591,862
Total fund balances	206,709,273	16,198,289	139,149,065	77,257,691	439,314,318
Total liabilities, deferred inflows and fund balances	\$ 261,774,763	16,199,589	145,370,930	81,546,736	504,892,018

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

(Continued)

Balance Sheet
Governmental Funds
June 30, 2017

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

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

Ending fund balance - governmental funds	\$ 439,314,318
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Total capital assets used in governmental activities as reported in note 4 to the financial statements also include assets of \$49,850,608 associated with the internal service funds as indicated below.

Capital assets	1,143,014,484
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Some of the City's expenses have been incurred but are not yet due until after year-end and, therefore, are deferred in the funds.

Pension contribution made after the measurement date	\$ 42,678,037	
Unamortized deferred loss on refundings	1,672,459	44,350,496

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

Governmental funds' deferred inflows	39,536,639	
Unamortized difference between actual and projected pension earnings	(4,452,783)	
Unamortized deferred gain on refundings	(1,029,372)	34,054,484

Internal service funds (ISF) are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$488,255 as noted on Schedule E.

Current assets	42,895,234	
Capital assets	49,850,608	
Deferred outflows	2,235,921	
Liabilities	(1,769,038)	
Unearned revenue	(3,233,848)	
Long-term debt	(35,724,881)	
Deferred inflows	(171,093)	
Net cumulative profit(loss) allocation	488,255	54,571,158

An interfund loan that does not contribute to current financial resources is not reported in governmental fund statements	6,285,715
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Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, is not reported in the funds.	(4,966,173)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total long-term obligations for governmental activities as reported in footnote 6 to the financial statements also include long-term obligations of \$35,724,881 associated with the internal service funds as indicated above.

General obligation bonds	(336,429,602)	
Net pension liability (net of ISF)	(152,836,644)	
Net OPEB obligation	(15,103,166)	
Compensated absences (net of ISF)	(20,991,059)	
Literary loans	(598,607)	
Installment Purchase Agreement	(1,342,284)	
Supplemental Payments Agreement	(8,615,000)	
Edinburgh Purchase Agreement	(1,226,520)	(537,142,882)

Net position of governmental activities	\$ 1,179,481,600
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The notes to the financial statements are an integral part of this statement.

CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 310,181,000	-	-	11,255,947	321,436,947
Other local taxes	122,326,122	-	-	8,805,164	131,131,286
Licenses, permits and fees	8,976,982	-	-	-	8,976,982
Fines and forfeitures	2,324,124	-	-	-	2,324,124
Investment income	1,199,304	65,126	664,300	193,594	2,122,324
Revenues from use of property	693,511	54,889	-	214,952	963,352
Charges for services	13,079,124	-	-	9,840,495	22,919,619
Miscellaneous local revenues	416,560	257,052	2,747	3,144,364	3,820,723
Recovered costs	296,327	-	-	1,546,012	1,842,339
Program income	-	-	-	640,718	640,718
Revenues from local developers	-	-	1,135,388	-	1,135,388
Intergovernmental revenues:					
Commonwealth of Virginia	92,773,348	-	6,235,868	22,230,458	121,239,674
Federal government	148,016	-	3,483,924	14,894,925	18,526,865
Federal government - American Reinvestment and Recovery Act	-	889,080	-	-	889,080
Chesapeake Public Schools	214,527	189,865	-	-	404,392
Total revenues	552,628,945	1,456,012	11,522,227	72,766,629	638,373,813
EXPENDITURES					
Current:					
General government	106,559,075	-	-	11,538,353	118,097,428
Public safety	89,879,478	-	-	8,085,406	97,964,884
Public works	59,041,469	-	-	-	59,041,469
Parks and recreation	10,407,988	-	-	71,236	10,479,224
Public welfare	-	-	-	48,235,096	48,235,096
Education - payments to public schools	199,212,448	-	-	589,037	199,801,485
Capital outlay	3,181,062	-	51,598,708	3,653,059	58,432,829
Debt service	1,990,000	34,658,650	-	-	36,648,650
Total expenditures	470,271,520	34,658,650	51,598,708	72,172,187	628,701,065
Excess (deficiency) of revenues over (under) expenditures	82,357,425	(33,202,638)	(40,076,481)	594,442	9,672,748
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	3,801,527	29,569,392	30,241,001	17,658,677	81,270,597
Transfers to other funds (note 8)	(67,117,468)	-	(3,047,456)	(13,378,015)	(83,542,939)
Issuance of general obligation bonds (note 6)	-	-	76,640,000	-	76,640,000
Issuance of general obligation refunding bonds (note 6)	-	5,190,000	-	-	5,190,000
Premiums on general obligation bonds issued (note 6)	-	455,798	9,022,407	-	9,478,205
Premiums on general obligation refunding bonds issued (note 6)	-	760,824	-	-	760,824
Payment to refunded bond escrow agent (note 6)	-	(5,915,421)	-	-	(5,915,421)
Total other financing sources (uses), net	(63,315,941)	30,060,593	112,855,952	4,280,662	83,881,266
Net change in fund balance	19,041,484	(3,142,045)	72,779,471	4,875,104	93,554,014
Fund balance - beginning	187,667,789	19,340,334	66,369,594	72,382,587	345,760,304
Fund balance - ending	\$ 206,709,273	16,198,289	139,149,065	77,257,691	439,314,318

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

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2017

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

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

Net change in fund balances - total governmental funds \$ 93,554,014

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

Depreciation expense	\$ (36,497,210)
Capital outlay expenditures	58,432,829
Donated assets	104,690,795
Noncapitalizable expenses related to closed projects	(5,860,933)
Asset transfers	(103,513)
Disposal of assets	(330,781)
	<hr/>
	120,331,187

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues changed by this amount this year. 2,508,570

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, refunding costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:

Debt issued (and related costs)	(92,069,029)
Principal repayments	27,105,932
Payment to escrow agent for refunding	5,915,421
	<hr/>
	(59,047,676)

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

Accrued interest	(868,339)
Compensated absences	(554,273)
Pension expense	137,192
Net pension liability	3,300,599
	<hr/>
	2,015,179

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses), excluding capital contributions from the Primary Government, of certain activities of the internal service funds are reported with governmental activities. (192,621)

Interfund loan activity that does not contribute to current financial resources and, therefore, is not reported in the funds. 184,412

Change in net position of governmental activities \$ 159,353,065

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

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Proprietary Fund Financial Statements

Major Enterprise Funds:

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments (note 2)	\$ 75,310,149	193,490	9,052,805	84,556,444	38,813,877
Receivables (note 3):					
Accounts	15,450,907	816,047	11,458,088	27,725,042	214,229
Interest	84,240	-	22,208	106,448	52,279
Allowance for uncollectible amounts	(2,123,454)	(171,811)	(182,165)	(2,477,430)	-
Intergovernmental revenues due from:					
Commonwealth of Virginia	-	-	112,437	112,437	-
Inventory of materials and supplies	1,634,911	47,826	-	1,682,737	432,157
Prepaid expenses	87,956	-	-	87,956	3,382,692
Total current assets	90,444,709	885,552	20,463,373	111,793,634	42,895,234
Noncurrent assets:					
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	29,442,342	25,000	29,467,342	-
Cash restricted for debt service	5,104,539	-	-	5,104,539	-
Cash restricted for debt service with trustee	4,772,544	13,057,811	-	17,830,355	-
Capital construction:					
Cash and temporary investments	37,594,600	59,825	34,609,015	72,263,440	-
Cash and temporary investments with trustee	148,299	8,490,351	-	8,638,650	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	48,619,982	51,050,329	34,634,015	134,304,326	-
Capital assets (note 4):					
Land	10,727,890	84,096,571	422,070	95,246,531	-
Intangibles	2,489,592	-	1,337,712	3,827,304	-
Construction in progress	58,253,349	1,790,496	12,963,059	73,006,904	2,497,728
Buildings	842,913	5,389,295	351,931	6,584,139	648,167
Improvements other than buildings	3,747,433	50,583	60,233	3,858,249	13,082,477
Software, equipment and vehicles	13,192,372	11,297,908	227,573	24,717,853	120,604,990
Infrastructure	594,964,379	360,181,582	27,138,454	982,284,415	77,584
Less accumulated depreciation	(240,937,732)	(76,176,337)	(7,791,241)	(324,905,310)	(87,060,338)
Total capital assets, net of accumulated depreciation	443,280,196	386,630,098	34,709,791	864,620,085	49,850,608
Total noncurrent assets	491,900,178	437,680,427	69,343,806	998,924,411	49,850,608
Total assets	582,344,887	438,565,979	89,807,179	1,110,718,045	92,745,842
Deferred Outflows of Resources (note 5)	4,995,389	503,572	1,145,904	6,644,865	2,235,921
Total assets and deferred outflows of resources	\$ 587,340,276	439,069,551	90,953,083	1,117,362,910	94,981,763
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable (note 3)	\$ 2,712,394	631,031	509,825	3,853,250	1,622,356
Accrued expenses and other liabilities (notes 3, 6 and 16)	2,130,659	2,407,078	81,294	4,619,031	146,682
Deposits (note 3)	925,756	-	-	925,756	-
Unearned revenues	946,115	-	-	946,115	3,233,848
Due to other funds (note 8)	-	577,248	-	577,248	-
Construction projects payable (note 3)	1,094,551	4,075,173	404,156	5,573,880	-
Current portion of long-term debt (note 6)	7,062,906	318,778	-	7,381,684	-
Current portion of accrued vacation, sick pay and overtime leave (note 6)	430,727	68,529	124,154	623,410	243,637
Current portion of liability for self-insurance losses (notes 6 and 16)	-	-	-	-	8,002,522
Total current liabilities	15,303,108	8,077,837	1,119,429	24,500,374	13,249,045
Noncurrent liabilities:					
Unearned revenues	200,900	-	-	200,900	-
General obligation bonds (note 6)	72,228,594	-	-	72,228,594	-
Revenue bonds (note 6)	30,830,000	281,539,804	-	312,369,804	-
Due to Commonwealth of Virginia (note 6)	-	67,093,881	-	67,093,881	-
Obligations under capital leases (note 6)	-	-	-	-	-
Accrued interest payable on subordinate revenue bonds (note 6)	-	7,415,977	-	7,415,977	-
Advances from other funds (note 8)	-	6,285,715	-	6,285,715	-
Accrued vacation, sick pay and overtime leave (note 6)	580,243	86,678	161,957	828,878	329,889
Liability for self-insurance losses (notes 6 and 16)	-	-	-	-	20,614,280
Net pension liability	8,654,855	1,187,673	3,388,038	13,230,566	6,534,553
Total noncurrent liabilities	112,494,592	363,609,728	3,549,995	479,654,315	27,478,722
Total liabilities	127,797,700	371,687,565	4,669,424	504,154,689	40,727,767
Deferred Inflows of Resources (note 5)	232,425	32,410	7,925,095	8,189,930	171,093
Net Position					
Net investment in capital assets	343,404,551	19,993,591	34,709,791	398,107,933	49,850,608
Restricted for:					
Capital projects	47,907,092	9,958,025	40,017,296	97,882,413	-
Debt service	8,019,136	25,665,399	-	33,684,535	-
Other purposes - Expendable:					
Public Utilities Fund	59,979,372	-	-	59,979,372	-
Chesapeake Transportation System Fund	-	15,426,905	-	15,426,905	-
Stormwater Management Fund	-	-	3,631,477	3,631,477	-
Unrestricted (deficit)	-	(3,694,344)	-	(3,694,344)	4,232,295
Total net position	459,310,151	67,349,576	78,358,564	605,018,291	54,082,903
Total liabilities, deferred inflows and net position	\$ 587,340,276	439,069,551	90,953,083	1,117,362,910	94,981,763
Net position of enterprise funds, Schedule E				605,018,291	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(488,255)	
Net position of business-type activities, Schedule A				604,530,036	

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2017

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
OPERATING REVENUES					
Licenses, permits and fees	\$ -	-	438,000	438,000	-
Charges for services:					
Sale of water	40,352,171	-	-	40,352,171	-
Billings to departments	-	-	-	-	66,385,579
Billings to outside agencies and component units	-	-	-	-	1,395,602
Sewer service charges	28,434,828	-	-	28,434,828	-
Stormwater management fees	-	-	15,583,412	15,583,412	-
Tolls and tickets	-	17,334,638	-	17,334,638	-
Rental fees	1,096,390	-	-	1,096,390	240,846
Connection fees	5,068,512	-	-	5,068,512	-
Miscellaneous	634,668	231,390	9,996	876,054	-
Recovered costs	41,025	25,289	-	66,314	919,896
Other	263,911	-	-	263,911	15,198
Total operating revenues	75,891,505	17,591,317	16,031,408	109,514,230	68,957,121
OPERATING EXPENSES					
Cost of materials billed	-	-	-	-	2,705,578
Purchases for resale	18,709,656	30,424	-	18,740,080	2,352,712
Water production	8,777,283	-	-	8,777,283	-
Sewer maintenance and operation	5,496,093	-	-	5,496,093	-
Water maintenance and operation	2,806,348	-	-	2,806,348	-
Customer service	2,497,923	-	-	2,497,923	-
General and administrative	3,079,879	471,911	2,099,155	5,650,945	758,274
Technical services	1,833,379	-	-	1,833,379	-
Other salaries and wages	-	1,275,404	3,536,196	4,811,600	5,603,169
Other fringe benefits	-	516,495	1,624,525	2,141,020	2,425,298
Self-insurance losses	-	-	-	-	3,736,700
Indemnity and medical claims	-	-	-	-	33,709,981
Other repairs and supplies	-	2,213,371	322,669	2,536,040	5,350,293
Equipment rental	-	504	47,172	47,676	6,802
Other contractual services	-	2,081,359	2,413,682	4,495,041	2,902,575
Depreciation and amortization	13,475,631	8,789,786	818,630	23,084,047	10,159,547
Insurance premiums	-	-	-	-	2,907,048
Meter reading services	383,828	-	-	383,828	-
Other	1,244	54,190	-	55,434	-
Total operating expenses	57,061,264	15,433,444	10,862,029	83,356,737	72,617,977
Operating income (loss)	18,830,241	2,157,873	5,169,379	26,157,493	(3,660,856)
NONOPERATING REVENUES (EXPENSES)					
Investment income	588,129	285,587	252,398	1,126,114	185,243
Interest expense	(2,864,068)	(5,126,339)	-	(7,990,407)	-
Gain on sale of equipment	38,710	11,370	118,400	168,480	227,897
Loss on sale of equipment	(1,194,167)	(140,686)	(1,982,027)	(3,316,880)	(278,744)
Build America Bonds subsidy reimbursement - American					
Reinvestment and Recovery Act	597,383	-	-	597,383	-
Other	(116,281)	-	-	(116,281)	-
Total nonoperating revenues (expenses), net	(2,950,294)	(4,970,068)	(1,611,229)	(9,531,591)	134,396
Income (loss) before transfers and contributions	15,879,947	(2,812,195)	3,558,150	16,625,902	(3,526,460)
Transfers in (note 8)	-	-	1,908,000	1,908,000	806,379
Transfers out (note 8)	-	-	-	-	(463,469)
Capital contributions	10,634,109	8,192,210	776,798	19,603,117	7,539,038
Increase (decrease) in net position	26,514,056	5,380,015	6,242,948	38,137,019	4,355,488
Total net position - beginning	432,796,095	61,969,561	72,115,616	566,881,272	49,727,415
Total net position - ending	\$ 459,310,151	67,349,576	78,358,564	605,018,291	54,082,903

Change in net position of enterprise funds, Schedule F	\$ 38,137,019
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	61,567
Change in net position of business-type activities, Schedule B	<u>\$ 38,198,586</u>

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule G

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2017

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 75,506,089	17,160,978	16,035,506	108,702,573	69,518,285
Payments to suppliers	(30,639,520)	(4,305,551)	(4,558,193)	(39,503,264)	(55,590,217)
Payments to employees	(12,510,090)	(1,681,115)	(5,126,419)	(19,317,624)	(7,609,790)
Net cash provided by (used in) operating activities	32,356,479	11,174,312	6,350,894	49,881,685	6,318,278
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	1,908,000	1,908,000	806,379
Transfers out	-	-	-	-	(463,469)
Net cash provided by (used in) noncapital financing activities	-	-	1,908,000	1,908,000	342,910
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(12,247,618)	(8,433,116)	(5,318,372)	(25,999,106)	(5,571,612)
Proceeds from Commonwealth of Virginia	-	-	365,809	365,809	-
Proceeds from Federal government	597,383	-	-	597,383	-
Proceeds from revenue bonds	19,621,745	11,265,060	-	30,886,805	-
Proceeds from sale of capital assets	38,710	-	118,400	157,110	(45,187)
Increase (decrease) in construction project payable	(323,721)	1,059,971	(822,064)	(85,814)	-
Repayment and retirement of refunding long-term debt	(22,349,242)	-	-	(22,349,242)	-
Principal payment of long-term debt	(6,110,000)	-	-	(6,110,000)	-
Premium on issuance of revenue bonds	3,166,928	-	-	3,166,928	-
Interest paid	(4,708,682)	(5,371,561)	-	(10,080,243)	-
Deferred bond costs associated with debt refunding	(116,281)	-	-	(116,281)	-
Due to other funds	-	(5,220,982)	-	(5,220,982)	-
Net cash provided by (used in) capital and related financing activities	(22,430,778)	(6,700,628)	(5,656,227)	(34,787,633)	(5,616,799)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	525,697	285,587	247,777	1,059,061	170,488
Net cash provided by investing activities	525,697	285,587	247,777	1,059,061	170,488
Net increase (decrease) in cash and temporary investments	10,451,398	4,759,271	2,850,444	18,061,113	1,214,877
Cash and temporary investments beginning of year	113,478,733	46,484,548	40,836,376	200,799,657	37,599,000
Cash and temporary investments end of year	\$ 123,930,131	51,243,819	43,686,820	218,860,770	38,813,877
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 18,830,241	2,157,873	5,169,379	26,157,493	(3,660,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	13,475,631	8,789,786	818,630	23,084,047	10,159,547
Pension expense	89,279	30,969	7,974	128,222	249,609
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	(99,039)	(430,339)	(56,427)	(585,805)	52,814
Prepaid expenses and other assets	14,076	-	-	14,076	51,617
Inventory of materials and supplies	487,400	(47,826)	-	439,574	(91,885)
Accounts payable	(137,225)	594,034	243,191	700,000	(264,039)
Deposits	(127,666)	-	-	(127,666)	-
Unearned revenue	(158,711)	-	-	(158,711)	508,350
Deferred inflows	-	-	60,525	60,525	-
Accrued expenses and other liabilities	-	29,634	81,294	110,928	146,677
Liability for self-insurance losses	-	-	-	-	(855,947)
Accrued vacation, sick pay and overtime leave	(17,507)	50,181	26,328	59,002	22,391
Total adjustments	13,526,238	9,016,439	1,181,515	23,724,192	9,979,134
Net cash provided by (used in) operating activities	\$ 32,356,479	11,174,312	6,350,894	49,881,685	6,318,278
Supplemental information on significant noncash transactions:					
Contributions of capital assets:					
Public Utilities Fund	\$ 10,634,109				
Chesapeake Transportation Fund		8,192,210			
Stormwater Fund			776,798		
Internal Service Funds					7,539,038

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

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund.

Trust Fund – Includes Other Postemployment Benefits Fund.



CITY OF CHESAPEAKE, VIRGINIA

Schedule H

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	<u>Agency Special Welfare</u>	<u>Other Postemployment Benefits Trust</u>
ASSETS		
Cash and temporary investments (note 2)	\$ 13,231	-
Investments with trustee, at fair value (note 2)		
Stocks	-	50,191,619
Taxable bonds	-	28,738,038
Money market	-	6,825
Total assets	\$ 13,231	78,936,482
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	\$ -	347,729
Due to children under foster care	13,231	-
Total liabilities	13,231	347,729
Net Position		
Held in trust for other postemployment benefits	-	78,588,753
Total liabilities and net position	\$ 13,231	78,936,482

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

CITY OF CHESAPEAKE, VIRGINIA**Schedule I**

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Year Ended June 30, 2017

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	\$ 3,089,000
Contributions from plan members (note 11)	859,251
Investment income:	
Interest and dividend income	3,410,109
Net appreciation (depreciation) in fair value of investments	4,243,549
Less investment expenses	171,652
Net investment income	7,482,006
Total additions	11,430,257
DEDUCTIONS	
Administrative expenses	27,133
Benefits and refunds paid on behalf of plan members and beneficiaries (note 11)	4,238,391
Total deductions	4,265,524
Change in net position	7,164,733
Held in trust for other postemployment benefits - beginning of year	71,424,020
Held in trust for other postemployment benefits - end of year	\$ 78,588,753

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

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Other Discretely Presented Component Units

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

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

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

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

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



Combining Statement of Net Position
Other Discretely Presented Component Units
June 30, 2017

	Governmental Activities		Business-type Activities				
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Assets							
Cash and temporary investments (note 2)	\$ 3,625,456	4,829,105	1,696	1,080,963	963,845	10,501,065	
Receivables, net of allowance for uncollectible amounts	-	4,076	-	31,197	3,499	38,772	
Inventories	246,743	12,060,863	-	-	-	12,307,606	
Prepaid expenses	119,562	-	-	-	7,147	126,709	
Capital assets:							
Land	530,778	-	-	2,226,148	448,707	3,205,633	
Buildings	2,405,297	-	-	-	1,293,477	3,698,774	
Improvements other than buildings	14,897	-	-	21,636,406	-	21,651,303	
Software, equipment and vehicles	1,555,954	-	-	249,446	-	1,805,400	
Less accumulated depreciation	(2,002,771)	-	-	(14,989,852)	(648,492)	(17,641,115)	
Total assets	6,495,916	16,894,044	1,696	10,234,308	2,068,183	35,694,147	
Deferred Outflows of Resources (note 5)	549,389	-	-	-	-	549,389	
Total assets and deferred outflows of resources	\$ 7,045,305	16,894,044	1,696	10,234,308	2,068,183	36,243,536	
LIABILITIES, DEFERRED INFLOWS AND NET POSITION							
Liabilities							
Accounts payable and accrued expenses	\$ 187,627	23,486	-	260,481	3,025	474,619	
Unearned revenues	-	-	-	27,402	-	27,402	
Other liabilities	-	-	-	-	3,978	3,978	
Due to primary government	-	1,319,095	-	196,100	-	1,515,195	
Current portion of long-term debt	-	-	-	90,000	-	90,000	
Long term liabilities	1,168,874	-	-	725,000	-	1,893,874	
Total liabilities	1,356,501	1,342,581	-	1,298,983	7,003	4,005,068	
Deferred Inflows of Resources (note 5)	554,341	-	-	-	-	554,341	
Net Position							
Net investment in capital assets	2,504,155	-	-	8,111,048	1,093,692	11,708,895	
Restricted	-	-	-	209,366	300,868	510,234	
Unrestricted (deficit)	2,630,308	15,551,463	1,696	614,911	666,620	19,464,998	
Total net position	5,134,463	15,551,463	1,696	8,935,325	2,061,180	31,684,127	
Total liabilities, deferred inflows and net position	\$ 7,045,305	16,894,044	1,696	10,234,308	2,068,183	36,243,536	

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc	
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 4,013,749	-	4,392,234	378,485	-	-	-	-	378,485
Business-type Activities									
Economic Development Authority	642,787	-	653,455	-	10,668	-	-	-	10,668
Chesapeake Port Authority	19,642	1,200	953,828	-	-	935,386	-	-	935,386
Chesapeake Airport Authority	1,270,448	466,335	2,522,363	-	-	-	1,718,250	-	1,718,250
Elizabeth River Properties of Chesapeake, Inc	225,496	106,776	41,987	-	-	-	-	(76,733)	(76,733)
Total component units	\$ 6,172,122	574,311	8,563,867	378,485	10,668	935,386	1,718,250	(76,733)	2,966,056
Change in net position				\$ 378,485	10,668	935,386	1,718,250	(76,733)	2,966,056
Net position - beginning				4,755,978	15,540,795	(933,690)	7,217,075	2,137,913	28,718,071
Net position - ending				\$ 5,134,463	15,551,463	1,696	8,935,325	2,061,180	31,684,127

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements



Notes to Basic Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) Continued

- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements. On May 23, 2017, the City Council approved an ordinance dissolving the Port Authority and transferring all rights, powers, privileges, assets and/or obligations to the Economic Development Authority of the City of Chesapeake effective July 1, 2017.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes of \$.01 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. Although it is legally separate, the Commission is fiscally dependent on the City. The Commission does not issue separate audited financial statements.
- Elizabeth River Properties of Chesapeake, Inc. (ERPC) is a not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. ERPC provides housing for individuals served by Chesapeake Integrated Behavioral Healthcare (CIBH). The Board of Directors of CSBC, Inc., whose members are appointed by City Council, appoints the members of the Board of ERPC and appropriates funds annually to provide rental assistance to individuals served by CIBH. The CSBC, Inc. Board has also transferred funds to ERPC to be used for the purchase of additional residences for its use. Separate audited financial statements are available through the CIBH at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.

Blended component units are entities that are legally separate from the City, but which provide services entirely, or almost entirely, to the City or otherwise exclusively benefit the City. Activities of blended component units are considered to be so intertwined with the City's that they are, in substance, part of the City's operations. CSBC, Inc. is considered to be a blended component unit in the City's financial statements. CSBC, Inc. was organized for the purpose of owning and financing a building to be used as a community services building by the City. CSBC, Inc. issued lease revenue bonds backed by the City's general obligation pledge. The holding bank had the option to require prepayment in 2014 so, as a result, the City issued general obligation bonds prior to that time to retire the remainder of the original bonds. The City Council appoints the members of the Board of Directors and appropriates funds annually to pay rent on the building which CSBC, Inc. then uses to pay debt service on the bonds. No distinction is made between the activities of CSBC, Inc. and the City. As a result, CSBC, Inc. is reported as a special revenue fund in the City's financial statements. It does not issue separate audited financial statements.

Notes to Basic Financial Statements
June 30, 2017

(1) Continued

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual (i.e. both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually within 45 days after year end. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the related fund liability is incurred.

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

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

The City reports the following major governmental funds:

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

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

The City reports the following proprietary funds:

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

The *Chesapeake Transportation System Fund* accounts for the operation of the Chesapeake Expressway and Dominion Boulevard Veterans Bridge toll roads and related construction projects.

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

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

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

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

Fiduciary funds:

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

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

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

Cash and Temporary Investments

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

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

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

Receivables and Payables

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

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) Continued

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

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

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

Real Estate

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

Real estate taxes are collected in quarterly payments due September 30, December 30, March 30 and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, 2016, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2017 was \$1.04 per \$100 of assessed value with an additional \$.01 per \$100 of assessed value for mosquito control services.

Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2017 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2017 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

Inventories and Prepaids

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

Capital Assets

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

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

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

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

Vacation, Sick Pay, Paid Time Off and Accrued Overtime Leave

City employees are granted vacation, sick pay, paid time off and accrued overtime leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay, paid time off and accrued overtime leave earned and, upon retirement, termination or death, may be compensated for certain amounts at their most current rate of pay. The costs of accumulated vacation, paid time off and overtime leave are accrued as a liability as the benefits are earned by employees if attributable to services already rendered and compensation through paid time off or some other means is probable. Sick leave liability is accrued as the benefits are earned by employees if it is probable the City will compensate the employees for the benefits through cash payments conditioned upon the employees' termination or retirement. These liabilities are accounted for in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an expense or expenditure until that time. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

Long-term Obligations

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

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

Encumbrances

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

Net Position

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

Fund Balances

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

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

Notes to Basic Financial Statements
June 30, 2017

(1) **Continued**

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes that are neither considered restricted nor committed. These amounts can be assigned either by any action of the governing board or by designees with authority to assign. Amounts can be unassigned by the same process. Per the City's policy, the City Manager (or his designee) has the authority to assign amounts of a fund balance to promote sound financial operations of the City or to meet future obligations.

In governmental funds other than the General Fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

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

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

Minimum Fund Balance Policy

The City Charter requires that a minimum of 6% of specified revenues of the General Fund and Special Revenue funds be restricted for emergency use and cash flow needs, which may occur throughout the fiscal year. In addition, the City shall budget for 12% of these same revenues as unassigned fund balance in the General Fund in order to maintain the policy requirement of a minimum 10% as adopted by resolution of City Council on June 10, 2014.

Notes to Basic Financial Statements
June 30, 2017

(2) **Deposits and Investments**

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50.0% to 130.0% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The carrying value of pooled deposits, as of June 30, 2017 is \$153,105,651 including petty cash of \$46,760 and cash in the special welfare fiduciary fund of \$13,231. Cash of \$643,264 is being held by the Commonwealth of Virginia.

Investments

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

Fair Value Measurements:

The City categorizes its investments (non-restricted) by fair value measurements within the fair value hierarchy established by the accounting principles generally accepted in the United States of America (GAAP). These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets.
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

Investments with a maturity of one year or less are measured at amortized cost and investments with a maturity of one year or more are measured at fair value.

Notes to Basic Financial Statements
June 30, 2017

(2) Continued

Investments by Fair Value Level and Amortized Cost at year end are shown below:

Investments by Fair Value Level (Market Approach: maturity >1yr)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Debt Securities:			
U.S. Treasury Notes	\$ 13,943,160	-	13,943,160
Federal Agency Coupon Securities	-	32,592,999	32,592,999
Federal Agency Discount-Amortizing	-	4,857,860	4,857,860
Corporate Notes	-	22,709,198	22,709,198
Taxable Municipal Bonds	-	2,840,000	2,840,000
Certificates of Deposit	-	74,194,121	74,194,121
Commercial Paper Discount-Amortizing	-	152,124,700	152,124,700
Total investments by fair value level (a)	13,943,160	289,318,878	303,262,038
Investments measured at Amortized Cost (Book Value: maturity <1yr)			
Money Market Fund			202,975,281
U.S. Treasury Notes			24,965,566
U.S. Treasury Bills			6,881,000
Federal Agency Coupon Securities			48,750,212
Federal Agency Discount-Amortizing			8,911,714
Taxable Municipal Bonds			3,081,558
Non-taxable Municipal Bonds			200,000
Total investments at amortized cost (b)			295,765,331
Total Pool and Directed Investments (a+b)			\$ 599,027,369

Notes to Basic Financial Statements
June 30, 2017

(2) **Continued**

Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote are the specifically identified investment ratings as of June 30, 2017.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

The City's investment policy requires that its portfolio be diversified with not more than 5.0% 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, 2017, the City was holding certificates of deposit in TowneBank of \$74,194,121, which represented 11.2% of the City's total investments. The City held no other investments by any one issuer that represented over 5.0% 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.

Notes to Basic Financial Statements
June 30, 2017

(2) **Continued**

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units and the OPEB fiduciary trust fund have been pooled with the cash and investments of the Primary Government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$6,875,609 have been excluded because risk information is not available.

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

Deposits and investments:	
Pooled deposits	\$ 153,105,651
State set-aside fund	643,264
Restricted deposits	1,000,000
Investments	602,912,530
Restricted cash and investments	57,661,509
Other Component Units	6,875,609
Total deposits and investments	\$ 822,198,563
Per Schedules A and H:	
Cash and temporary investments	\$ 446,120,257
Cash and temporary investments with trustee	108,403,824
Cash restricted for debt service	5,104,539
Cash restricted for debt service with trustee	17,830,355
Cash with state set-aside	643,264
Cash restricted for Public Utilities improvement and redemption	1,000,000
Investment - zero coupon bond	941,829
Capital construction - cash and temporary investments	233,515,789
Capital construction - cash and temporary investments with trustee	8,638,706
Total cash and temporary investments per Schedules A and H	\$ 822,198,563

Notes to Basic Financial Statements
June 30, 2017

(2) Continued

Investments by type and rating at year-end are shown below:

	Amount	Rating	Weighted Average Maturity
Investments:			
Bank Money Market Accounts	\$ 29,970,782	AAA	0.1
Caprin Money Market Mutual Fund - First American Government	509,879	AAA	0.0
Commercial Paper	152,124,700	AAA	38.7
U.S. Government-Sponsored Coupon Securities	12,978,650	AAA	6.4
U.S. Government-Sponsored Coupon Securities	68,304,192	AA+	33.7
U.S. Government-Sponsored Coupon Securities - Discounts	13,789,880	AAA	8.6
Corporate Notes	5,991,020	AAA	2.5
Corporate Notes	2,500,135	AA+	1.1
Corporate Notes	14,218,043	AA-	6.0
Municipal Bonds - Taxable	519,340	AAA	0.3
Municipal Bonds - Taxable	5,422,784	AA+	2.8
Municipal Bonds - Taxable	200,004	AAA	0.0
U.S. Treasury Coupon Securities	38,886,930	AAA	20.5
U.S. Treasury Coupon Securities - Discounts	6,873,370	AAA	5.9
Local Government Investment Pool	99,117,599	AAA	0.2
OPEB - Irrevocable Trust at Local Government Investment Pool	6,825	AAA	0.0
Virginia State Non-Arbitrage Program	73,377,021	AAA	0.1
Total Investments	524,791,154		
Restricted investments:			
Money market deposit	3,598,884	Unrated	0.0
Wells Fargo Advantage Heritage - Money Mkt Institutional (VML)	56	AAA	0.0
U.S. Government-sponsored discount securities	941,829	AAA	0.6
PFM - SNAP (Virginia State Non-Arbitrage Program)	51,364,252	AAA	5.3
PFM - SNAP First Americ Treas Oblig Fd - CI D - Toll Road Bonds	948,207	AAA	0.1
Total Restricted Investments	56,853,228		
Total Investments and Restricted Investments	581,644,382		
Portfolio weighted average maturity			132.81
Irrevocable Trust:			
OPEB - Diversified Portfolio	78,929,657	Various	
Total	78,929,657		
Total Investments, Restricted Investments and Irrevocable Trust	\$ 660,574,039		
Investment totals by rating:			
	Investments	Restricted Investments	Irrevocable Trust
AAA	\$ 434,346,000	53,254,344	-
AA+	76,227,111	-	-
AA-	14,218,043	-	-
Unrated	-	3,598,884	-
Various	-	-	78,929,657
Total	\$ 524,791,154	56,853,228	78,929,657
			660,574,039

Notes to Basic Financial Statements
June 30, 2017

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, for the Primary Government in the Statement of Net Position as of June 30, 2017 are as follows:

	Governmental Activities	Business-type Activities
Due from Commonwealth of Virginia	\$ 39,279,324	112,437
Due from Federal government	5,422,614	-
Due from customers	4,008,687	25,247,612
Property taxes receivable	37,011,508	-
Interest receivable	507,655	106,448
Other	13,692,820	-
Total accounts receivable	\$ 99,922,608	25,466,497

Accounts receivable, net of allowance for uncollectibles, for the discretely presented component units in the Statement of Net Position as of June 30, 2017 are as follows:

	Public Schools	Other
Due from Commonwealth of Virginia	\$ 11,371,294	-
Due from Federal government	18,275,754	-
Other	852,740	38,772
Total accounts receivable	\$ 30,499,788	38,772

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2017 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,716,071	-	3,863,039	1,700,214
Due from Federal government	-	-	2,154,371	3,268,243
Property taxes receivable	34,651,273	-	-	-
Interest receivable	416,807	38,416	-	153
Other	16,761,428	-	-	3,086,085
Total accounts receivable	\$ 85,545,579	38,416	6,017,410	8,054,695

Notes to Basic Financial Statements
June 30, 2017

(3) Continued

Property taxes receivable in the General Fund as of June 30, 2017 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 7,414,386	156,319	7,258,067
Personal property	29,597,122	2,203,916	27,393,206
Total property taxes receivable	\$ 37,011,508	2,360,235	34,651,273

The total allowance for uncollectible receivables in the General Fund is \$5,641,598, which includes a \$2,360,235 allowance for uncollectible taxes, a \$596,531 allowance for uncollectible emergency medical service fees, a \$302,079 allowance for uncollectible vehicle license fees, a \$1,548,753 allowance for uncollectible miscellaneous City invoices and a \$834,000 allowance for the Gateway at SoNo receivable. Provisions have been made for allowances for uncollectible advances to component units for the EDA advance of \$1,319,095. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from Chesapeake Integrated Behavior Healthcare in the amount of \$2,552,634 and \$732,338 in the Fee Supported Fund for red light cameras.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2017 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Due from customers and others	\$ 13,327,453	644,236	11,275,923	214,229
Interest receivable	84,240	-	22,208	52,279
Due from Commonwealth of Virginia	-	-	112,437	-
Total accounts receivable	\$ 13,411,693	644,236	11,410,568	266,508

Accounts payable, deposits and accrued expenses for the Primary Government in the Statement of Net Position as of June 30, 2017 are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 10,528,688	3,853,250
Deposits	3,224,576	925,756
Accrued expenses, excluding interest	6,410,360	-
Accrued interest payable	4,966,173	3,540,032
Other liabilities	850,746	1,078,999
Construction projects payable	5,030,474	5,573,880
Due to Commonwealth of Virginia	862	-
Total accounts payable, deposits and accrued expenses	\$ 31,011,879	14,971,917

Notes to Basic Financial Statements
June 30, 2017

(3) Continued

Accounts payable, deposits and accrued expenses for the discretely presented component units in the Statement of Net Position as of June 30, 2017 are as follows:

	Public Schools	Other
Accounts payable	\$ 5,629,587	381,744
Deposits	-	29,098
Accrued expenses	40,194,315	67,755
Claims payable	7,159,617	-
Total accounts payable, deposits and accrued expenses	\$ 52,983,519	478,597

Accounts payable, deposits and accrued expenditures in the governmental funds as of June 30, 2017 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Accounts payable and deposits	\$ 8,932,146	1,300	-	3,197,462
Accrued expenditures, excluding interest	5,457,852	-	-	805,826
Other liabilities	847,383	-	-	3,363
Construction projects payable	-	-	5,030,474	-
Due to Commonwealth of Virginia	720	-	-	142
Total accounts payable, deposits and accrued expenditures	\$ 15,238,101	1,300	5,030,474	4,006,793

Accounts payable, deposits and accrued expenses in the proprietary funds as of June 30, 2017 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Accounts payable and deposits	\$ 3,638,150	631,031	509,825	1,622,356
Accrued expenses, excluding interest	224,050	29,634	81,294	146,682
Accrued interest payable	1,162,588	2,377,444	-	-
Other Liabilities	744,021	-	-	-
Construction projects payable	1,094,551	4,075,173	404,156	-
Total accounts payable, deposits and accrued expenses	\$ 6,863,360	7,113,282	995,275	1,769,038

Notes to Basic Financial Statements
June 30, 2017

(4) Capital Assets

Capital asset activities for the year ended June 30, 2017 are as follows:

**Primary Government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 55,526,499	1,498,033	(9,088)	57,015,444
Land - School	3,016,081	-	-	3,016,081
Intangibles	285,202,350	48,104,046	-	333,306,396
Construction in progress	102,241,965	52,975,029	(28,040,253)	127,176,741
Construction in progress - ISF	1,838,361	1,263,894	(604,527)	2,497,728
Total capital assets, not being depreciated	447,825,256	103,841,002	(28,653,868)	523,012,390
Capital assets, being depreciated:				
Buildings	212,376,269	1,332,602	(480,784)	213,228,087
Buildings - ISF	687,097	-	(38,930)	648,167
Buildings - School	397,913,611	-	-	397,913,611
Improvements other than buildings	34,021,013	12,653,109	(8,278)	46,665,844
Improvements other than buildings - ISF	13,082,477	-	-	13,082,477
Software, equipment and vehicles	45,412,571	8,305,661	(6,223,888)	47,494,344
Software, equipment and vehicles - ISF	113,209,846	12,775,793	(5,380,649)	120,604,990
Infrastructure	1,126,662,839	60,352,384	-	1,187,015,223
Infrastructure - ISF	77,584	-	-	77,584
Total capital assets being depreciated	1,943,443,307	95,419,549	(12,132,529)	2,026,730,327
Less accumulated depreciation for:				
Buildings	(95,925,942)	(5,810,237)	206,505	(101,529,674)
Buildings - ISF	(259,449)	(20,047)	21,045	(258,451)
Buildings - School	(169,241,954)	(7,581,027)	-	(176,822,981)
Improvements other than buildings	(15,920,633)	(2,071,343)	7,657	(17,984,319)
Improvements other than buildings - ISF	(11,448,670)	(208,571)	-	(11,657,241)
Software, equipment and vehicles	(29,416,930)	(3,938,556)	1,669,122	(31,686,364)
Software, equipment and vehicles - ISF	(70,257,575)	(9,945,077)	5,087,666	(75,114,986)
Infrastructure	(924,697,902)	(17,096,047)	-	(941,793,949)
Infrastructure - ISF	(24,506)	(5,154)	-	(29,660)
Total accumulated depreciation	(1,317,193,561)	(46,676,059)	6,991,995	(1,356,877,625)
Total capital assets being depreciated, net	626,249,746	48,743,490	(5,140,534)	669,852,702
Capital assets, net	\$ 1,074,075,002	152,584,492	(33,794,402)	1,192,865,092

Notes to Basic Financial Statements
June 30, 2017

(4) Continued

Governmental Activities capital assets, net of accumulated depreciation, at June 30, 2017 are comprised of the following:

General Government Capital Assets, net	\$	1,143,014,484
Internal Service Fund Capital Assets, net		49,850,608
Total	\$	1,192,865,092

Depreciation expense for governmental activities was charged to functions of the Primary Government for the year ended June 30, 2017 as follows:

General government	\$	8,986,397
Public safety		1,561,409
Public works		768,710
Parks and recreation		370,755
Public welfare		132,865
Education		7,581,027
Net unallocated portion (depreciation of general infrastructure assets)		17,096,047
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		10,159,547
Total depreciation expense, governmental activities	\$	46,656,757

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$15,216,230 includes the unallocated portion of depreciation expense noted above of \$17,096,047 net of amortization of deferred bond premiums and refunding costs of \$1,879,817. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$19,302.

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

Function	Project Authorization	Expended to June 30, 2017	Committed
General government	\$ 122,850,965	46,416,555	76,434,410
Public safety	92,241,625	42,987,076	49,254,549
Public works	75,653,329	37,641,854	38,011,475
Parks	7,764,369	2,628,984	5,135,385
Education	221	-	221
Total	\$ 298,510,509	129,674,469	168,836,040

The construction in progress consists of \$124,555,872 from capital projects, \$184,336 from grants and \$2,436,533 from operating funds and \$2,497,728 from internal service funds.

Notes to Basic Financial Statements
June 30, 2017

(4) Continued**Business-type activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,255,578	72,990,953	-	95,246,531
Intangibles	3,742,087	85,217	-	3,827,304
Construction in progress	397,441,840	43,564,958	(367,999,894)	73,006,904
Total capital assets, not being depreciated	423,439,505	116,641,128	(367,999,894)	172,080,739
Capital assets, being depreciated:				
Buildings	5,607,566	976,573	-	6,584,139
Improvements other than buildings	3,807,666	50,583	-	3,858,249
Software, equipment and vehicles	17,266,774	10,711,048	(3,259,969)	24,717,853
Infrastructure	684,160,370	298,644,565	(520,520)	982,284,415
Total capital assets, being depreciated	710,842,376	310,382,769	(3,780,489)	1,017,444,656
Less accumulated depreciation for:				
Buildings	(2,005,794)	(302,671)	-	(2,308,465)
Improvements other than buildings	(1,128,981)	(95,792)	-	(1,224,773)
Software, equipment and vehicles	(10,940,336)	(1,615,073)	218,322	(12,337,087)
Infrastructure	(287,326,971)	(21,953,300)	245,286	(309,034,985)
Total accumulated depreciation	(301,402,082)	(23,966,836)	463,608	(324,905,310)
Total capital assets being depreciated, net	409,440,294	286,415,933	(3,316,881)	692,539,346
Capital assets, net	\$ 832,879,799	403,057,061	(371,316,775)	864,620,085

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

Public Utilities Fund	\$ 13,914,609
Chesapeake Transportation System	9,079,593
Stormwater Management Fund	818,630
Total depreciation expense, business-type activities	\$ 23,812,832

Depreciation and amortization expense for business-type activities of \$23,084,047 includes unallocated portion of depreciation expense noted above of \$23,812,832 net of amortization of deferred bond premiums and refunding costs of \$728,785. Depreciation increases include the accumulated depreciation of assets that were transferred in from other funds in the amount of \$154,004.

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$162.4 million at June 30, 2017. There was \$9,240,181 of capitalized interest incurred this fiscal year related to construction in progress.

Notes to Basic Financial Statements
June 30, 2017

(4) Continued**Public Utilities Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,727,890	-	-	10,727,890
Intangibles	2,404,375	85,217	-	2,489,592
Construction in progress	59,735,592	12,044,721	(13,526,964)	58,253,349
Total capital assets, not being depreciated	72,867,857	12,129,938	(13,526,964)	71,470,831
Capital assets, being depreciated:				
Buildings	102,337	740,576	-	842,913
Improvements other than buildings	3,747,433	-	-	3,747,433
Software, equipment and vehicles	10,007,288	4,313,230	(1,128,146)	13,192,372
Infrastructure	574,249,626	21,235,273	(520,520)	594,964,379
Total capital assets, being depreciated	588,106,684	26,289,079	(1,648,666)	612,747,097
Less accumulated depreciation for:				
Buildings	(44,333)	(41,673)	-	(86,006)
Improvements other than buildings	(1,120,652)	(90,239)	-	(1,210,891)
Software, equipment and vehicles	(4,724,359)	(1,154,049)	209,213	(5,669,195)
Infrastructure	(221,588,278)	(12,628,648)	245,286	(233,971,640)
Total accumulated depreciation	(227,477,622)	(13,914,609)	454,499	(240,937,732)
Total capital assets being depreciated, net	360,629,062	12,374,470	(1,194,167)	371,809,365
Capital assets, net	\$ 433,496,919	24,504,408	(14,721,131)	443,280,196

The construction in progress consists of \$48,738,217 from capital projects, \$8,755,618 from capitalized interest and \$759,514 from operating funds.

Notes to Basic Financial Statements
June 30, 2017

(4) Continued**Chesapeake Transportation System Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	72,990,953	-	84,096,571
Construction in progress	328,651,840	27,501,333	(354,362,677)	1,790,496
Total capital assets, not being depreciated	339,757,458	100,492,286	(354,362,677)	85,887,067
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Improvements other than buildings	-	50,583	-	50,583
Software, equipment and vehicles	7,076,884	4,370,820	(149,796)	11,297,908
Infrastructure	82,849,818	277,331,764	-	360,181,582
Total capital assets, being depreciated	95,315,997	281,753,167	(149,796)	376,919,368
Less accumulated depreciation for:				
Buildings	(1,930,145)	(134,732)	-	(2,064,877)
Improvements other than buildings	-	(2,529)	-	(2,529)
Software, equipment and vehicles	(6,060,920)	(413,479)	9,109	(6,465,290)
Infrastructure	(59,114,788)	(8,528,853)	-	(67,643,641)
Total accumulated depreciation	(67,105,853)	(9,079,593)	9,109	(76,176,337)
Total capital assets being depreciated, net	28,210,144	272,673,574	(140,687)	300,743,031
Capital assets, net	\$ 367,967,602	373,165,860	(354,503,364)	386,630,098

Notes to Basic Financial Statements
June 30, 2017

(4) Continued**Stormwater Management Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 422,070	-	-	422,070
Intangibles	1,337,712	-	-	1,337,712
Construction in progress	9,054,408	4,018,904	(110,253)	12,963,059
Total capital assets, not being depreciated	10,814,190	4,018,904	(110,253)	14,722,841
Capital assets, being depreciated:				
Buildings	115,934	235,997	-	351,931
Improvements other than buildings	60,233	-	-	60,233
Software, equipment and vehicles	182,602	2,026,998	(1,982,027)	227,573
Infrastructure	27,060,926	77,528	-	27,138,454
Total capital assets, being depreciated	27,419,695	2,340,523	(1,982,027)	27,778,191
Less accumulated depreciation for:				
Buildings	(31,316)	(126,266)	-	(157,582)
Improvements other than buildings	(8,329)	(3,024)	-	(11,353)
Software, equipment and vehicles	(155,057)	(47,545)	-	(202,602)
Infrastructure	(6,623,905)	(795,799)	-	(7,419,704)
Total accumulated depreciation	(6,818,607)	(972,634)	-	(7,791,241)
Total capital assets being depreciated, net	20,601,088	1,367,889	(1,982,027)	19,986,950
Capital assets, net	\$ 31,415,278	5,386,793	(2,092,280)	34,709,791

Notes to Basic Financial Statements
June 30, 2017

(4) Continued**Discretely presented component unit - Public Schools:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,277,065	-	-	17,277,065
Construction in progress	12,483,875	14,647,853	(17,242,089)	9,889,639
Total capital assets, not being depreciated	29,760,940	14,647,853	(17,242,089)	27,166,704
Capital assets, being depreciated:				
Buildings	201,475,441	15,257,417	-	216,732,858
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	67,989,295	6,420,580	(3,277,423)	71,132,452
Textbooks	10,620,823	7,221	(2,780,143)	7,847,901
Total capital assets, being depreciated	285,689,789	21,685,218	(6,057,566)	301,317,441
Less accumulated depreciation for:				
Buildings	(24,355,025)	(3,961,958)	-	(28,316,983)
Building improvements	(4,025,714)	(158,528)	-	(4,184,242)
Furniture and equipment	(48,485,204)	(4,188,109)	3,235,798	(49,437,515)
Textbooks	(5,210,106)	(2,124,165)	2,780,143	(4,554,128)
Total accumulated depreciation	(82,076,049)	(10,432,760)	6,015,941	(86,492,868)
Total capital assets being depreciated, net	203,613,740	11,252,458	(41,625)	214,824,573
Capital assets, net	\$ 233,374,680	25,900,311	(17,283,714)	241,991,277

Depreciation expense was charged to governmental functions for the year ended June 30, 2017 as follows:

Instruction	\$ 6,985,552
Administration	39,734
Pupil transportation	2,128,739
Operations and maintenance	61,677
School technology services	1,209,541
Food services	7,517
Total depreciation expense, governmental activities	\$ 10,432,760

At June 30, 2017, the Schools had contractual commitments of approximately \$5.8 million for work remaining to be performed under capital projects.

Notes to Basic Financial Statements
June 30, 2017

(5) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent costs that have been incurred but have not yet been matched with the period to which they belong.

Deferred outflows of resources for the Primary Government in the Statement of Net Position as of June 30, 2017 are as follows:

	Governmental Activities	Business-type Activities
Pension	\$ 43,775,012	2,333,315
Pension - earnings	678,990	1,444,243
Pension - change in allocation basis	459,956	382,739
Unamortized deferred loss on refundings	1,672,459	2,484,568
Total deferred outflows of resources	\$ 46,586,417	6,644,865

Deferred outflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2017 are as follows:

	Public Schools	Other
Pension	\$ 34,752,284	549,389
Pension - earnings	24,998,990	-
Pension - changes in proportion and proportionate share	1,143,000	-
Pension - change in experience	160,499	-
Total deferred outflows of resources	\$ 61,054,773	549,389

Deferred outflows of resources in the proprietary funds as of June 30, 2017 are comprised of the following:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	\$ 1,490,214	207,811	635,290	1,096,975
Pension - earnings	922,392	128,628	393,223	678,990
Pension - change in allocation basis	191,036	74,312	117,391	459,956
Unamortized deferred loss on refundings	2,391,747	92,821	-	-
Total deferred outflows of resources	\$ 4,995,389	503,572	1,145,904	2,235,921

Notes to Basic Financial Statements
June 30, 2017

(5) Continued

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

Deferred inflows of resources for the Primary Government in the Statement of Net Position as of June 30, 2017 are as follows:

	Governmental Activities	Business-type Activities
Pension - experience	\$ 4,282,595	363,919
Pension - change in allocation basis	341,282	-
Unamortized deferred gain on refundings	1,029,372	-
Stormwater management fees	-	7,826,011
Total deferred inflows of resources	\$ 5,653,249	8,189,930

Deferred inflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2017 are as follows:

	Public Schools	Other
Pension - experience	\$ -	52,927
Pension - change in allocation basis	-	501,414
Pension - changes in proportion and proportionate share	10,750,000	-
Pension - change in experience	13,820,295	-
Total deferred inflows of resources	\$ 24,570,295	554,341

Deferred inflows of resources in the governmental funds as of June 30, 2017 are comprised of the following:

	General Fund
Taxes receivable	\$ 32,929,541
Personal Property Tax Relief Act	3,209,133
EMS fees receivable	3,395,782
Solid waste fees receivable	2,183
Total deferred inflows of resources	\$ 39,536,639

Deferred inflows of resources in the proprietary funds as of June 30, 2017 are comprised of the following:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	\$ 232,425	32,410	99,084	171,093
Stormwater Management Fees	-	-	7,826,011	-
Total deferred inflows of resources	\$ 232,425	32,410	7,925,095	171,093

Notes to Basic Financial Statements
June 30, 2017

(6) Long-Term Obligations

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2017 follows:

	Balances at July 1, 2016	Increases	Decreases	Balances at June 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 262,643,684	81,830,000	(28,271,535)	316,202,149	28,478,246
Deferred amounts:					
Plus bond premiums	11,748,690	10,239,029	(1,760,266)	20,227,453	2,481,362
Total bonds payable	274,392,374	92,069,029	(30,031,801)	336,429,602	30,959,608
Other long-term obligations:					
Net pension liability	117,707,512	41,663,686	-	159,371,198	-
Net OPEB obligation	18,403,765	1,741,000	(5,041,599)	15,103,166	-
Arbitrage rebate and yield restriction	200,290	-	(200,290)	-	-
Compensated absences	20,987,920	16,554,398	(15,977,735)	21,564,583	8,830,090
Literary loans	798,144	-	(199,537)	598,607	199,537
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Supplemental payments agreement	10,100,000	-	(1,485,000)	8,615,000	1,560,000
Liability for self-insurance losses	29,472,749	37,221,681	(38,077,628)	28,616,802	8,002,522
Edinburgh loan payable	1,946,273	-	(719,753)	1,226,520	719,753
Total long-term obligations	\$ 475,351,311	189,249,794	(91,733,343)	572,867,762	50,271,510

Compensated absences, net pension liabilities and net OPEB obligation associated with governmental activities were liquidated primarily using the General Fund.

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2017 follows:

	Balances at June 30, 2016	Increases	Decreases	Balances at June 30, 2017	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 77,835,000	20,005,000	(25,900,000)	71,940,000	5,405,000
Revenue bonds	32,525,000	-	(835,000)	31,690,000	860,000
	110,360,000	20,005,000	(26,735,000)	103,630,000	6,265,000
Deferred amounts:					
Plus bond premiums	5,710,253	3,166,928	(2,385,681)	6,491,500	797,906
Total bonds payable	116,070,253	23,171,928	(29,120,681)	110,121,500	7,062,906
Net pension liability	6,392,790	2,262,065	-	8,654,855	-
Compensated absences	1,028,477	720,741	(738,248)	1,010,970	430,727
	123,491,520	26,154,734	(29,858,929)	119,787,325	7,493,633
Chesapeake Transportation System:					
Revenue Bonds Payable:					
Current Interest Bonds	107,890,000	-	-	107,890,000	-
Convertible CABs ⁽¹⁾	50,937,802	2,493,919	-	53,431,721	-
VTIB Bonds ⁽²⁾	102,802,434	11,265,060	-	114,067,494	-
	261,630,236	13,758,979	-	275,389,215	-
Deferred Amounts:					
Plus bond premiums	6,777,609	-	(308,242)	6,469,367	318,778
Total bonds payable	268,407,845	13,758,979	(308,242)	281,858,582	318,778
VTIB bonds accrued interest payable ⁽³⁾	3,778,361	3,637,616	-	7,415,977	-
Due to Commonwealth of Virginia ⁽⁴⁾	65,859,760	840,297	-	66,700,057	-
Net pension liability	875,379	312,294	-	1,187,673	-
Compensated absences	105,026	125,623	(75,442)	155,207	68,529
	339,026,371	18,674,809	(383,684)	357,317,496	387,307
Stormwater Management:					
Net pension liability	2,473,085	914,953	-	3,388,038	-
Compensated absences	259,783	271,477	(245,149)	286,111	124,154
	2,732,868	1,186,430	(245,149)	3,674,149	124,154
Total long-term obligations	\$ 465,250,759	46,015,973	(30,487,762)	480,778,970	8,005,094

⁽¹⁾ The increase to the convertible Capital Appreciation Bonds (CABs) for 2017 is the accreted interest amount and is shown as such in the City's future debt service requirements for business-type activities.

⁽²⁾ The Virginia Transportation Infrastructure Bonds (VTIB) have a subordinate bond lien.

⁽³⁾ The accrued interest on the VTIB will be added to the principal when the first payment is due.

⁽⁴⁾ The amount due to the Commonwealth of Virginia does not include accrued interest of \$393,824 at June 30, 2017.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2017 follows:

	Balances at July 1, 2016	Increases	Decreases	Balances at June 30, 2017	Due Within One Year
Net pension liability	\$ 387,087,000	56,006,437	(23,266,796)	419,826,641	-
Net OPEB obligation	281,100,674	7,683,000	(5,681,682)	283,101,992	-
Compensated absences	30,551,651	14,904,509	(2,086,902)	43,369,258	1,628,166
Liability for self-insurance losses	3,384,825	981,993	(918,135)	3,448,683	-
Capital leases	5,235,539	4,810,158	(1,926,270)	8,119,427	1,711,949
Total long-term obligations	\$ 707,359,689	84,386,097	(33,879,785)	757,866,001	3,340,115

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

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

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2017 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1997A School bonds	5.60%	\$ 855,000	855,000	-	.00% - 3.00%
1998A School bonds	5.10%	820,000	820,000	-	.00% - 2.00%
1999A School bonds	6.10%	1,500,000	1,500,000	-	.00% - 2.00%
2000A School bonds	5.60%	2,365,000	2,365,000	-	.00% - 2.00%
2001A School bonds	5.10%	2,405,000	2,405,000	-	.00% - 2.00%
2001B School bonds	3.10-5.10%	482,149	-	482,149	-
2002A School bonds	5.10%	2,210,000	2,210,000	-	.00% - 1.00%
2003A School bonds	4.10-5.10%	1,060,000	1,060,000	-	.00% - 1.00%
2005A School bonds	4.10-5.10%	11,030,000	11,030,000	-	.00% - 1.00%
2005B School bonds	4.60-5.10%	5,445,000	5,445,000	-	.00% - 1.00%
2006A School bonds	4.48-5.10%	10,840,000	10,840,000	-	.00% - 1.00%
2006B School bonds	4.23-4.60%	10,820,000	10,820,000	-	.00% - 1.00%
2007A School bonds	4.10-5.10%	7,025,000	6,530,000	495,000	.00% - 1.00%
2007B School bonds	4.35-5.10%	6,370,000	5,925,000	445,000	.00% - 1.00%
2008A Public Improvement bonds	3.50-4.00%	885,000	-	885,000	-
2008A Public Improvement Refunding bonds	4.00%	2,935,000	-	2,935,000	-
2008B Tax Increment Financing bonds	4.00-4.63%	9,370,000	8,110,000	1,260,000	.00% - 1.00%
2009A School bonds	4.05-5.05%	25,725,000	21,130,000	4,595,000	.00% - 1.00%
2010A Tax Increment Financing, RZED	4.41-6.07%	1,805,000	1,445,000	360,000	-
2010A School bonds	3.05-5.05%	9,615,000	7,445,000	2,170,000	.00% - 1.00%
2010A-1 Public Improvement bonds	4.00%	2,105,000	-	2,105,000	-
2010A-2 Public Improvement bonds	3.41-5.36%	33,460,000	29,070,000	4,390,000	-
2010B-1 Tax Increment Financing bonds	2.50%	310,000	-	310,000	-
2010B-2 Tax Increment Financing bonds	3.41-5.36%	4,935,000	4,290,000	645,000	-
2010C-1 Tax Increment Financing bonds	4.00%	285,000	-	285,000	-
2010C-2 Tax Increment Financing bonds	3.41-5.36%	4,505,000	3,915,000	590,000	-
2011A Public Improvement Refunding Bonds	3.00-4.00%	9,595,000	-	9,595,000	-
2011A School Bonds	3.30-4.05%	7,675,000	5,675,000	2,000,000	.00% - 1.00%
2011B School Bonds (QSCB)	2.00-4.00%	3,700,000	-	3,700,000	-
2012A Public Improvement Refunding Bonds	2.00-4.00%	7,120,000	1,960,000	5,160,000	-
2012D Public Improvement Refunding Bonds	2.00-5.00%	9,120,000	3,375,000	5,745,000	-
2013A School Bonds	3.05-5.05%	16,500,000	11,235,000	5,265,000	.00% - 1.00%
2013B School Bonds	4.05-5.05%	6,230,000	-	6,230,000	-
2014A Public Improvement Refunding Bonds	2.00-3.38%	3,100,000	1,565,000	1,535,000	-
2016A Issue (VPSA)	2.05-5.05%	4,580,000	2,280,000	2,300,000	.50% - 1.00%
2016B Issue (VPSA)	5.05%	7,590,000	-	7,590,000	-
2017A Public Improvement Refunding Bonds	3.00-5.00%	5,190,000	635,000	4,555,000	-
2017A Public Improvement bonds (5 Yr.)	3.00-5.00%	3,900,000	-	3,900,000	-
2017A Public Improvement bonds (20 Yr.)	4.00-5.00%	66,880,000	30,090,000	36,790,000	-
2017B Tax Increment Financing bonds	3.00-5.00%	5,860,000	3,120,000	2,740,000	-
		316,202,149	197,145,000	119,057,149	
Add unamortized bond premiums		20,227,453	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 336,429,602	197,145,000	119,057,149	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 598,607	-	598,607	-
Total Literary loans		\$ 598,607	-	598,607	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	\$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		\$ 1,342,284	-	1,342,284	

Notes to Basic Financial Statements

June 30, 2017

(6) Continued

Outstanding bonds for business-type activities at June 30, 2017 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	19,630,000	12,915,000	6,715,000	-
2012B Water and Sewer Refunding bonds	3.50 - 5.00%	16,960,000	16,960,000	-	-
2014B Water and Sewer Refunding bonds	1.42 - 2.70%	15,345,000	15,345,000	-	-
2017C Water and Sewer Refunding bonds	4.00 - 5.00%	20,005,000	-	20,005,000	-
Total Public Utilities - general obligation bonds		71,940,000	45,220,000	26,720,000	
Public Utilities - Revenue bonds					
2010B Water and Sewer Revenue bonds	3.99 - 6.28%	31,690,000	29,040,000	2,650,000	-
Total Public Utilities - revenue bonds		31,690,000	29,040,000	2,650,000	
Add unamortized bond premiums		6,491,500	n/a	n/a	n/a
Total Public Utilities bonds		\$ 110,121,500	74,260,000	29,370,000	
Chesapeake Transportation System (CTS) - Revenue bonds:					
2012A - Refunding	3.00 - 5.00%	\$ 15,465,000	3,580,000	11,885,000	-
2012A - New Money	4.00 - 5.00%	92,425,000	92,425,000	-	-
2012B - Convertible CABS	4.75 - 4.88%	53,431,721	50,728,217	2,703,504	-
2012C - VTIB	3.33%	114,067,494	114,067,494	-	-
Total CTS Toll Road Revenue bonds		275,389,215	260,800,711	14,588,504	
Add unamortized bond premiums		6,469,367	n/a	n/a	n/a
Total CTS - revenue bonds		\$ 281,858,582	260,800,711	14,588,504	

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

	Governmental Activities					
	Bonds		Literary Loans		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2018	\$ 28,478,246	13,212,169	199,537	17,958	-	64,430
2019	24,820,049	12,671,278	199,537	11,972	-	64,430
2020	23,601,943	11,613,848	199,533	5,986	-	64,430
2021	23,802,935	10,577,807	-	-	-	64,430
2022	23,933,976	9,507,949	-	-	-	64,430
2023-2027	107,990,000	32,124,564	-	-	-	322,148
2028-2032	61,285,000	11,187,802	-	-	1,342,284	322,146
2033-2037	22,290,000	2,028,974	-	-	-	-
	\$ 316,202,149	102,924,391	598,607	35,916	1,342,284	966,444

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

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

	Business-type Activities				
	Public Utilities		Chesapeake Transportation		
	Bonds		System Bonds		(1)
	Principal	Interest	Principal	Accreted Interest on Convertible CABs	Interest
Year ending June 30:					
2018	\$ 6,265,000	4,740,142	-	-	5,187,150
2019	6,460,000	4,559,749	445,000	-	5,180,475
2020	6,665,000	4,351,314	1,642,018	-	8,906,527
2021	9,905,000	4,144,639	2,502,018	-	8,824,116
2022	6,605,000	3,911,533	3,367,018	-	8,690,704
2023-2027	28,630,000	14,740,135	16,559,732	-	52,871,390
2028-2032	20,500,000	8,453,634	13,716,753	4,616,860	54,437,365
2033-2037	11,075,000	3,745,088	24,875,333	10,409,316	48,130,708
2038-2042	7,525,000	970,252	41,298,739	13,461,304	38,592,273
2043-2047	-	-	85,105,536	-	24,793,912
2048-2052	-	-	75,277,868	-	5,799,000
	\$ 103,630,000	49,616,486	264,790,015	28,487,480	261,413,620
Accreted interest inception to date			10,599,200		
			275,389,215		

(1) The future debt service requirements for the Chesapeake Transportation System bonds is a projection based on a minimum payments schedule determined at time of issuance for the VTIB bonds.

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

- (a) In March 2017, the City issued \$75.97 million of general obligation public improvement and refunding bonds with a true interest cost of 2.96% and an original issue premium of \$10.06 million. The bonds were issued to fund costs of issuance, capital improvement projects in the City for various public purposes, including community facilities, transportation, public safety and public health, and advance refund certain outstanding general obligation public improvement bonds. Proceeds in the amount of \$5.9 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds which are considered to be defeased and the liabilities have been removed from the Statement of Net Position. On June 30, 2017, \$5.65 million of the defeased bonds remain outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$259,834. This difference was displayed as deferred outflows of resources. The remaining life of the refunded debt is equal to the life of the new debt issued. This refunding resulted in an economic gain of \$436,525 and a net savings of \$505,633 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
2008A General Obligation Bonds	2019-2028	\$5,650,000	08/01/2018

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

- (b) In March 2017, the City issued \$5.86 million of general obligation bonds (South Norfolk Tax Increment Financing) with a true interest cost of 3.09% and a net original issue premium of \$177,823. The proceeds will be used to finance various development project costs benefitting the South Norfolk Revitalization District.
- (c) In March 2017, the City issued \$20.01 million of general obligation tax-exempt water and sewer refunding bonds with a true interest cost of 2.199% and a net original issue premium of \$3,166,928. The bonds were issued to advance refund the remaining outstanding general obligation water and sewer refunding bonds, Series 2010D currently outstanding in the principal amount of \$20.625 million. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds which are considered defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Position and from the Statement of Net Position of the Public Utilities Fund. On June 30, 2017, \$20.625 million of the defeased bonds remain outstanding. The reacquisition price was \$383,255 more than the carrying amount of the old debt. This refunding resulted in an economic gain of \$1,052,754 and a net savings of \$1,173,962 in future debt service payments.
- (d) In November 2012, the City issued \$150,722,520 of Chesapeake Transportation System Senior Toll Road Revenue Bonds. The bonds were issued in part to finance a portion of the construction costs of the Dominion Boulevard project improvements. Additionally, a portion of the bonds refunded the 1999 Chesapeake Expressway Toll Road Revenue bonds for the purpose of being incorporated into the Chesapeake Transportation System Plan of Finance and Indenture of Trust. The issuance included \$42,832,520 of Convertible Capital Appreciation Bonds (CABS) that will have accreted interest of \$28,487,480 comprised of \$8,378,891 on the 2032 maturity at 4.750% and \$20,108,589 on the 2040 maturity at 4.875%, for a total value at conversion and maturity of \$71,320,000. Interest on the CABS is compounded semi-annually and added to the value of the bonds until the conversion date of July 15, 2023 at which time the interest will be payable semi-annually. The accreted interest on the CABS through June 30, 2017 is \$10,599,200.

In November 2012, a Bond Purchase and Loan Agreement was made between the Virginia Transportation Infrastructure Bank (VTIB), acting through its Manager, Virginia Resources Authority and the City. VTIB agreed to lend the City an amount not to exceed \$151,893,495 as evidenced by the purchase of the Chesapeake Transportation System Subordinate Toll Road Revenue Bond, Series 2012C. The VTIB Bond is subordinate to the 2012A and 2012B senior bonds and repayment will begin on the July 15 that occurs on or after the second anniversary of the substantial completion date of the Dominion Boulevard Project. Interest of 3.33% will accrue for the date of each advance with respect to the portion of the principal amount that was advanced. A minimum principal and interest payments schedule was established at the time of issuance but a new schedule will be prepared at the time of substantial completion based on the actual aggregate amount of advances and dates of each advance. The outstanding principal as of June 30, 2017 is \$114,067,494.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

In November 2012, an amended and restated “City-State Agreement” between the City and the Commonwealth of Virginia, Department of Transportation (VDOT) was executed. No repayments with respect to the 1999 Toll Facilities Revolving Account (TFRA) Payments, the Urban Allocation Payments or the City contribution shall be made until the VTIB loan has been paid in full. The 1999 TFRA payment and the City contribution shall accrue interest at a rate of 3% per year, compounded semi-annually on each interest payment date. The Urban Allocation payments to be replenished as provided in the 2012 Indenture shall not accrue interest. State contributions to be repaid as of June 30, 2017 are \$66,700,057, which is comprised of \$28,641,711 to TFRA and \$38,058,346 to Urban Allocation.

- (e) In addition to the full faith and credit of the City, the City has pledged certain incremental tax revenues derived from the Greenbrier District and the South Norfolk District to pay principal and interest on Tax Incremental Financing bonds.

Water and Sewer Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System, subject to the prior application thereof to the payment of Operating Expenses. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and the services furnished by the System so as to produce revenues sufficient to meet its cash requirements and debt covenants detailed in its Agreement of Trust. Additionally, revenues from the System shall also be pledged on a subordinate lien basis for all general obligation bonds issued for the purpose of the System.

Chesapeake Transportation System Toll Road Revenue bonds and other obligations of the System are payable solely from net toll revenues as defined in its Indenture.

- (f) In August 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City’s receipt of these taxes. The agreement provides for principal payments to be made in January and July of each calendar year. These payments are expected to take place over a five year period but this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2017, \$1,226,520 was outstanding.
- (g) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

- (h) In July 1997, the Commonwealth Transportation Board (CTB) issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the CTB to make annual payments equal to the debt service payments on the bonds. In May 2006, the CTB partially refunded the 1997 bonds in the amount of \$23,830,000. In January 2016, the CTB refunded the 2006 bonds maturing in the years 2017-2022 in the amount of \$11,300,000. The SPA was adjusted accordingly to reflect a total debt service savings of \$1,586,875 and an economic gain of \$1,451,250. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City's portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City's share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City's full faith and credit. The City made a \$1,485,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the current year.

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2017.

Fiscal year ending June 30:	Principal	Interest
2018	\$ 1,560,000	430,750
2019	1,640,000	352,750
2020	1,720,000	270,750
2121	1,800,000	184,750
2022	1,895,000	94,750
Total payments	\$ 8,615,000	1,333,750

- (i) Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2017 was the settlement date and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Transportation System Fund or the governmental activities column of the Statement of Net Position, depending on the bond issue and timing of payment. The fund balance in the Debt Service Fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the Statement of Net Position.

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

- (j) The future payments by year of accumulated vacation, sick pay, paid time off and accrued overtime leave, arbitrage, net pension liability, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension liability and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay, paid time off and accrued overtime leave liability is generally liquidated by the department for which the employee works for the General Fund, Public Utilities, Chesapeake Transportation System and Stormwater Management. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension liability and net OPEB obligation are liquidated by the correlating funds in respect to the departmental costs, however, the net pension liability is reflected, based on allocation, on Internal Service Fund, Enterprise Fund and Entity-Wide Fund statements. The liability for self-insurance losses is liquidated by the Self-Insurance Fund and the Self-Funded Health Fund.
- (k) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 10% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 31, 2016 was \$53,700,000. Any bonds or notes in excess of this amount must either be intended to refund other debt or be supported by a referendum, except as noted in Chapter 6, Section .05 of the City Code. Contractual obligations, other than bonds and notes, are excluded from the City's annual borrowing limit. The total charter bonds authorized but unissued are \$358,430,000 as of June 30, 2017.
- (l) Computation of Legal Debt Margin (per Constitution of Virginia)

Assessed valuation - real estate	\$	25,174,589,034
Legal debt limit - 10.0% of assessed valuation	\$	2,517,458,903
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	697,162,255
Less:		
Self-supporting debt not chargeable to debt limit		340,714,215
Amounts available for debt service		16,084,551
		340,363,489
Legal debt margin available	\$	2,177,095,414
Percent of:		
Legal debt margin outstanding		13.5%
Legal debt margin available		86.5%
		100.0%
Summary of assessed valuation:		
Public service real estate	\$	913,496,107
Other city real estate		24,261,092,927
	\$	25,174,589,034

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(6) Continued

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of overall net debt per capita and a threshold of 3.5% of overall net debt to assessed value of taxable real property. Effective July 1, 2015, the City Council amended the policies to include limiting the City's tax-supported debt service to 10.0% of budgeted general governmental revenues. For fiscal year 2017, management believes the City is in compliance with these policies.

(m) Management believes the City is in compliance, in all material respects, with all significant financial covenants contained in the bond indentures.

(n) In November 2011, the Airport Authority sold its \$1,220,000 revenue refunding bonds to the Virginia Resources Authority as administrator of the Virginia Airports Revolving Fund. The purpose of the 2011 bonds was to refund the outstanding 1999 bonds to achieve debt service savings as well as restructuring the debt repayment by extending full maturity by five years. As part of this transaction, the City Council approved a new support agreement for the 2011 bonds, which pledges the City's moral obligation with respect to the debt service reserve in substitution for the 1999 Agreement. At June 30, 2017, \$815,000 of the bonds remain outstanding, all of which are callable.

(7) Advances and On Behalf Of Payments

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

Component Unit – Chesapeake Airport Authority

In September 2008, the City Council authorized the restructuring of two previous advances made to the Airport Authority with different repayment terms. The restructuring allowed both note terms to run simultaneously, with a 15-year repayment. The remaining balances of the two notes were cancelled and a new note for \$439,100 was executed. Semi-annual payments of \$13,500 began in fiscal year 2009 with a final balloon payment of \$47,600 on June 15, 2023. A restricted classification of fund balance has been made in the General Fund for \$82,362 and in the Debt Service Fund for \$113,738 for the balance outstanding at June 30, 2017 of \$196,100.

The General Fund also budgeted and made payments of \$315,630 on behalf of the Airport Authority during fiscal year 2017. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

Component Unit – Chesapeake Port Authority

The General Fund had advanced \$944,407 to the Port Authority to provide working capital. The City had recorded a valuation allowance of an equal amount because the timing and certainty of collection was unknown. This balance was still outstanding on December 20, 2016 when City Council approved a resolution to forgive these loans. It was determined that the loan was deemed to be satisfied due to the offset by real estate tax revenues that have been received and are pending from the Port Authority's sale of real property. In addition, the General Fund made payments of \$9,696 on behalf of the Port Authority during fiscal year 2017.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(7) Continued***Component Unit –Economic Development Authority of the City of Chesapeake***

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2017, \$1,319,095 is outstanding in the General Fund. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the City budgeted and made payments of \$53,899 on behalf of the Authority during fiscal year 2017. The City is not anticipating the collection of these payments from the EDA. In connection with the addition of a new Cinemark 12 screen, state of the art, stadium seating theater in the Western Branch section of the City, the EDA committed to acquire the old theater in the event it did not sell within a reasonable time of the opening of the new theater. The City acquired the property in August 2013. In 2016, the former theater building was demolished after the EDA determined that the specialized use for the building reduced the value of the property. There has been significant interest in the land and the property has been under contract. Unfortunately, the contract expired during the due diligence period as the prospective buyer could not secure the necessary approvals to complete the transaction. The EDA and staff continue to market the property and have begun discussions with potential buyers of the adjacent Chesapeake Square Mall.

Advances from the Primary Government to its component units as reported on the Statement of Net Position as of June 30, 2017 is summarized as follows:

Advances to Airport Authority	\$	196,100
Advance to EDA		1,319,095
Total advances to component units		1,515,195
Less allowance for uncollectible amounts		(1,319,095)
Net advances to component units	\$	196,100

(8) Interfund Balances and Transfers

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

Individual fund interfund receivable and payable balances for the Primary Government at June 30, 2017 are as follows:

Due To Other Funds	Due From Other Funds		
	Special Revenue Funds	Enterprise Funds	Total
Capital Project Fund	\$ -	577,248	577,248
General Fund	187,684	-	187,684
Total interfund balances	\$ 187,684	577,248	764,932

The interfund balance due to the General Fund from the Special Revenue funds of \$187,684 consists of \$112,514 from the Grants Fund and \$75,170 from the Community Development Fund. The interfund balance due to the Capital Projects Fund of \$577,248 from the Enterprise funds is a result of a timing difference related to the funding of the Dominion Boulevard improvements. The total interfund balance of \$764,932 is due within one year.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(8) Continued

A contribution in the amount of \$7,800,000 was made by the City to the Chesapeake Transportation System, formerly known as the Chesapeake Expressway Toll Road, by acquiring and constructing the Hanbury Road Interchange. This interchange project was recorded in the Capital Projects Fund. According to the previous indenture and City/State agreement, the Expressway was to repay the City's contribution semi-annually. Since the funding contributed by the City was for the interchange, the partial repayment of the City contribution made prior to the current indenture from the Expressway was made directly to the Capital Project fund instead of to the General Fund.

According to Section 4.2 (b) of the new 2012 Indenture, there shall be no repayment of the City contribution until the Virginia Transportation Infrastructure Bank (VTIB) loan has been repaid in full. The City contribution accrues interest at a rate of 3.0% per year, compounded semi-annually on each interest payment date. As of June 30, 2017, the amount currently outstanding on this loan is \$6,285,715, which includes principal of \$6,200,460 and accrued interest of \$85,255.

Individual fund interfund transfers for the Primary Government were made for budgeted operating, debt service and capital purposes. In the year ended June 30, 2017, City Council approved transfers totaling \$23,549,246 to the Capital Projects Fund from the General Fund. Included in these transfers were funding for various capital projects, which came from prior years' resources. Major projects included \$2,258,000 for various Sheriff's Office projects, \$3,000,000 for Project 25 Radio System, \$2,316,247 for the 22nd Street Bridge Replacement, \$1,500,000 for SoNo Strategic Acquisition of Property, \$1,000,000 for Mt. Pleasant Road Widening, and \$4,150,000 for Residential Street Repaving Projects.

Interfund transfers for the year ended June 30, 2017 are as follows:

Transfers To Other Funds	Transfers From Other Funds				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	-	3,734,379	67,148	3,801,527
Debt Service Fund	25,754,629	664,278	3,150,485	-	29,569,392
Capital Projects Fund	23,549,246	-	6,480,754	211,001	30,241,001
Nonmajor governmental funds	17,482,392	-	12,397	163,888	17,658,677
Stormwater Fund	-	1,908,000	-	-	1,908,000
Internal Service Funds	331,201	475,178	-	-	806,379
Total	\$ 67,117,468	3,047,456	13,378,015	442,037	83,984,976

Included in the Internal Service Funds above is a transfers out of \$21,432 from Self-Insurance Fund to General Fixed Asset Account Group (GFAAG).

Notes to Basic Financial Statements
June 30, 2017

(9) Leases

The City and the Schools, a component unit, lease certain property under non-cancelable capital leases and certain facilities under non-cancelable operating leases with scheduled rent increases. As of June 30, 2017, there were no outstanding capital leases for the City's capital assets from governmental activities.

The future minimum operating lease payments for governmental activities as of June 30, 2017 are as follows:

	Operating
Fiscal years:	
2018	\$ 551,989
2019	269,440
2020	45,205
2021	23,076
Total future minimum lease payments	\$ 889,710

The total governmental operating lease payments for the year ended June 30, 2017 were \$990,294.

At June 30, 2017, the Schools capital assets include \$18,960,407 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,582,968. Accumulated amortization expense for these assets is \$11,400,035. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2017 are as follows:

	Capital
Fiscal years:	
2018	\$ 1,885,766
2019	1,176,134
2020	1,176,134
2021	1,176,134
2022	1,030,749
2023-2026	2,290,287
Total future minimum lease payments	8,735,204
Less amounts representing interest	615,777
Present value of minimum capital lease payments	\$ 8,119,427

(10) Retirement Plans

Plan Description

The City and Schools contribute to the Virginia Retirement System Plan (VRS), which provides agent, multiple employer and cost-sharing, multiple-employer defined benefit pension plans administered by the Virginia Retirement System (System). The City employees and Schools Nonprofessional employees are covered by the agent, multiple-employer defined benefit plan and Schools Professional employees are covered by the cost-sharing multiple-employer defined benefit plan.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. These plans are administered by VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active duty military service, certain periods of leave and previously refunded service.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Within the VRS Plan, the System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and eligibility for covered groups within each plan are set out below:

VRS PLAN 1

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions

Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

Retirement Age

Normal retirement: Age 65. Political subdivision hazardous duty employees: Age 60.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years (60 months) of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivision hazardous duty employees may retire with a reduced benefit as early as age 55 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2

About VRS Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an ORP and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions

Same as VRS Plan 1.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as VRS Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Sheriffs, regional jail superintendents and political subdivision hazardous duty employees: Same as Plan 1.

Normal Retirement Age

Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as VRS Plan 1.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivision hazardous duty employees: Same as VRS Plan 1.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivision hazardous duty employees: Same as VRS Plan 1.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued***COLA in Retirement***

The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as VRS Plan 1.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as VRS Plan 1.

VRS HYBRID RETIREMENT PLAN***About VRS Hybrid Retirement Plan***

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

*Non-Eligible Members – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Calculating the Benefit

Defined Benefit Component:

See definition under VRS Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier for the defined benefit component is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component:

Not applicable.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COLA in Retirement

Defined Benefit Component:

Same as VRS Plan 2.

Notes to Basic Financial Statements
June 30, 2017

(10) Continued**Defined Contribution Component:**

Not applicable.

Eligibility:

Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service**Defined Benefit Component:**

Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	Schools Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,938	634
Inactive members not currently receiving benefits:		
Vested inactive members	417	95
Non-vested inactive members	712	211
Active elsewhere in VRS	732	142
Total inactive members not currently receiving benefits	1,861	448
Active members	3,080	1,069
Total covered employees	6,879	2,151

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly or as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2017 was 13.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$21,204,323 and \$23,530,469 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Schools' nonprofessional contractually required contribution rate for the year ended June 30, 2017 was 9.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Schools were \$1,936,293 and \$2,290,138 for the years ended June 30, 2017 and June 30, 2016, respectively.

Each school division's contractually required contribution rate for teachers for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$32,815,991 and \$30,557,558 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The City's and Schools' nonprofessional net pension liabilities were measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017 Schools reported a liability of \$400,913,000 for its proportionate share of the net pension liability of the Teacher Retirement Plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Schools proportion of the net pension liability was based on Schools' actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of actuarially determined employer contributions for all participating employers. As of June 30, 2016, the Schools' proportion was 2.86078% as compared to 2.94792% at June 30, 2015.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

In addition, CPS' net pension liability for the Nonprofessional (non-teacher) Retirement Plan was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. At June 30, 2017, the school division reported a liability of \$18,913,641 for the Nonprofessional (non-teacher) Retirement Plan.

Actuarial Assumptions – General Employees

The total pension liabilities for General Employees in the City's and Schools' nonprofessional Retirement Plans were based on an actuarial valuations as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:	14% of deaths are assumed to be service related
Largest 10 – Non-LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
All Others (Non 10 Largest) – Non-LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 – Non-LEOs:
 - Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year
- All Others (Non 10 Largest) – Non-LEOs:
 - Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5 percent
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Mortality rates:	60% of deaths are assumed to be service related
Largest 10 – LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
All Others (Non 10 Largest) – LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 –LEOs:
 - Update mortality table
 - Decrease in male rates of disability
- All Others (Non 10 Largest) – LEOs:
 - Update mortality table
 - Adjustments to rates of service retirement for females
 - Increase in rates of withdrawal
 - Decrease in male and female rates of disability

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Actuarial Assumptions – Schools Teachers

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustment to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%	N/A	5.83%
Inflation			2.50%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. Through the fiscal year ending June 30, 2018, the rate contributed by Schools for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in City Net Pension Liability

City	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 839,663,626	5,711,429,778	128,233,848
Changes for the year:			
Service cost	19,256,498	-	19,256,498
Interest	57,375,617	-	57,375,617
Differences between expected and actual experience	11,760,453	-	11,760,453
Contributions - employer	-	23,585,872	(23,585,872)
Contributions - employee	-	7,428,153	(7,428,153)
Net investment income	-	12,288,110	(12,288,110)
Benefit payments, including refunds of employee contributions	(40,023,900)	(40,023,900)	-
Administrative expense	-	(441,129)	441,129
Other changes	-	(5,228)	5,228
Net changes	48,368,668	2,831,878	45,536,790
Balances at June 30, 2016	\$ 888,032,294	5,714,261,656	173,770,638

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Schools - Nonprofessional			
Balances at June 30, 2015	\$ 95,664,037	79,611,796	16,052,241
Changes for the year:			
Service cost	2,136,694	-	2,136,694
Interest	6,531,345	-	6,531,345
Differences between expected and actual experience	(1,148,254)	-	(1,148,254)
Contributions - employer	-	2,290,549	(2,290,549)
Contributions - employee	-	1,052,203	(1,052,203)
Net investment income	-	1,365,632	(1,365,632)
Benefit payments, including refunds of employee contributions	(4,718,205)	(4,718,205)	-
Administrative expense	-	(49,417)	49,417
Other changes	-	(582)	582
	2,801,580	(59,820)	2,861,400
Balances at June 30, 2016	\$ 98,465,617	79,551,976	18,913,641

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability - City	\$ 284,964,736	173,770,638	80,779,366
Net Pension Liability - Schools Nonprofessional	30,668,543	18,913,641	9,037,792
Schools' proportionate share of the VRS			
Teacher Employee Retirement Plan Net Pension			
Liability	571,503,000	400,913,000	260,388,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$21,137,228. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,926,609	4,699,441
Net difference between projected and actual earnings on pension plan investments	18,650,017	-
Employer contributions subsequent to the measurement date	21,204,323	-
Total	\$ 48,780,949	4,699,441

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

\$21,204,323 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 956,025
2019	956,025
2020	13,103,858
2021	7,861,279
Thereafter	-

For the year ended June 30, 2017, Schools recognized pension expense of \$1,958,843 for the nonprofessional plan. At June 30, 2017, Schools reported deferred outflows of resources and deferred inflows of resources related to nonprofessional pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,097,990	-
Differences between expected and actual experience	160,499	829,295
Employer contributions subsequent to the measurement date	1,936,293	-
Total	\$ 4,194,782	829,295

\$1,936,293 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions for nonprofessional employees subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$(184,057)
2019	(229,327)
2020	1,011,119
2021	831,459
Thereafter	-

For the year ended June 30, 2017, Schools recognized pension expense of \$32,267,000 for the teachers plan. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(10) Continued

At June 30, 2017, Schools reported deferred outflows of resources and deferred inflows of resources related to pensions for teachers from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	12,991,000
Net difference between projected and actual earnings on pension plan investments	22,901,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,143,000	10,750,000
Employer contributions subsequent to the measurement date	32,815,991	-
Total	\$ 56,859,991	23,741,000

\$32,815,991 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$(4,890,000)
2019	(4,890,000)
2020	7,727,000
2021	4,140,000
2022	(1,784,000)

Payables to the Pension Plan

The City reported payables of \$1,744,498 due to the VRS at June 30, 2017 which represent the June 2017 employer contributions for all plans not contractually required to be remitted until July 2017.

VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Other Postemployment Benefits

Plan Description

The City's Other Postemployment Benefit Plan (OPEB Plan) is a single-employer, defined benefit plan that provides access to medical and dental insurance benefits to eligible Pre-Medicare retirees and their dependents. (Effective January 1, 2016, the existing post-Medicare supplemental plan offered to retirees was discontinued per City Council's approval on September 15, 2015).

OPEB Plan membership as of June 30, 2017, consisted of 2,831 active service participants and 377 retirees and beneficiaries currently receiving benefits. There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate.

The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Management of the City's OPEB Trust is vested in the Chesapeake OPEB Finance Board of Trustees, which consists of five members appointed by City Council.

Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements. The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. These amounts are offset by any amounts determined to be funded by the OPEB Trust. For fiscal year 2017, the City contributed \$5,041,599 to the plan, including \$3,379,089 for current premiums (79.7% of total premiums), and \$1,662,510 actuarially estimated implicit subsidy. The OPEB Trust reimbursed the City for the current premiums portion of the pay-go in the amount of \$3,089,000 by recognizing that amount as a payment in lieu of receiving the annual required contribution (ARC) and at June 30, 2017 has recorded a payable to the City for the net of the two amounts.

Plan members contribute based either the active employee contribution rate or the entire premium based on their years of services at retirement, greater than 19 years or 15 to 19 years, respectively. Plan members receiving benefits contributed \$859,251, or 20.3% of the total premiums, through their required monthly contributions. Member contributions are 0.6% of covered payroll. Costs to administer current benefits are paid from the General Fund.

For the year ended June 30, 2017, the City's average contribution rate was 3.3% of covered employee payroll.

Investments

The investment policy of the OPEB Plan in regard to the allocation of invested assets is established and may be amended by the Chesapeake OPEB Finance Board of Trustees by a majority vote of its members. It is the policy of the Chesapeake OPEB Finance Board of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time spans.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

The adopted asset allocation policy as of June 30, 2017 was as follows:

Asset Class	Target Allocation
Domestic equity	33.0%
International equity	21.0%
Fixed income	40.0%
Real estate	6.0%
Cash	0.0%
Total	100.0%

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB liability	\$ 81,783,807
Plan fiduciary net position	78,646,342
City's net OPEB liability	3,137,465

Plan fiduciary net position as a percentage of the total OPEB liability 96.2%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Investment rate of return	7.0%
Health care trend rates	6.1-7.1% initially, graded to a rate of 5.8 – 6.8% after eleven years.

Mortality rates were based on RP-2000 Healthy and Disabled Combined Annuitant Mortality Tables with adjustments for mortality improvement based on Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

In the actuarial valuation for fiscal year ending June 30, 2017 (dated October 31, 2017), the projected unit credit actuarial cost method was used to determine the ARC. GAAP required disclosures use the Entry Age Normal method for the OPEB Plan valuation. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount. There were no additional postemployment benefit increases assumed. The amortization period is closed and equals 14 years as of June 30, 2017.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

Discount rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	\$ 10,296,886	3,137,465	(3,287,526)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability to the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that were one percentage point lower (rate in 2075 of 3.2%) or one percentage point higher (rate in 2075 of 5.2%) than the current healthcare cost trend rates:

Rate in 2075 of	1% Decrease (3.2%)	Discount Rate (4.2%)	1% Increase (5.2%)
Net OPEB liability (asset)	\$ (4,351,403)	3,137,465	11,813,133

Significant Accounting Policies

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

Funding Policy

The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GAAP. 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 using level dollar amortization. The amortization period is closed and equals 14 years as of June 30, 2017.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

For the year ended June 30, 2017, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	2,557,000
Interest on net OPEB obligation		1,288,000
Adjustment to annual required contribution		(2,104,000)
Annual OPEB cost		1,741,000
Less employer contributions made		5,041,599
Increase (decrease) in net OPEB obligation		(3,300,599)
Net OPEB obligation at June 30, 2016		18,403,765
Net OPEB obligation at June 30, 2017	\$	15,103,166

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 1,741,000	\$ 5,041,599	289.6%	\$ 15,103,166
June 30, 2016	2,097,000	8,643,349	412.2%	18,403,765
June 30, 2015	7,468,000	13,401,054	179.4%	24,950,114

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date for fiscal year ending June 30, 2017, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	81,784,000
Less actuarial value of plan assets		79,608,463
Unfunded actuarial accrued liability (UAAL)	\$	2,175,537
Funded ratio (actuarial value of plan assets/AAL)		97.34%
Covered payroll	\$	153,143,100
UAAL as a percentage of covered payroll		1.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the City's ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the actuarial valuation for fiscal year ending June 30, 2017 (dated October 31, 2017), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 6.1-7.1% initially, graded to a rate of 5.8 – 6.8% after eleven years. A general inflation rate of 2.5% was incorporated in the actuarial valuation. The City's UAAL are being amortized as a level dollar amount. There were no additional postemployment benefit increases assumed. The amortization period is closed and equals 14 years as of June 30, 2017.

Discretely presented component unit - Public Schools:

Plan Description

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2016, consisted of 5,325 active service participants and 1,010 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 Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund (the Trust). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

Investments

The Trust's Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will monitor and evaluate investment managers, bank custodian, and other parties to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and secondarily, principal protection.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

The adopted asset policy as of June 30, 2017 was as follows:

Asset Class	Target Allocation
Domestic equity	36.0%
International equity	13.0%
Emerging markets equity	5.0%
Private equity	5.0%
Fixed income	21.0%
Diversified hedge funds	10.0%
Real estate	10.0%
Total	100.0%

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Schools

The components of the net OPEB Liability of the Schools at June 30, 2017, were as follows:

Total OPEB liability	\$ 157,027,523
Plan fiduciary net position	3,140,867
City's net OPEB liability	153,886,656

Plan fiduciary net position as a percentage of the total OPEB liability 2.0%

Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Investment rate of return	3.58%

Mortality rates were based on the RP 2014 Total Dataset Mortality Table, Fully Generational, projected using Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

In the actuarial valuation for the fiscal year ending June 30, 2017 (dated November 13, 2017), the projected unit credit actuarial cost method was used to determine the ARC. GASB 74 required disclosures use the Entry Age Normal method for OPEB plan valuation. The Schools' UAAL are being amortized as a level dollar amount. There were not additional postemployment increases assumed. The amortization period is closed and equal to 29 years as of June 30, 2017.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed the Schools' contribution will be made on a pay-as-you-go basis. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Schools, as well as what the Schools' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability (asset)	\$ 172,813,559	153,886,656	138,007,901

In fiscal year 2014, CPS changed its OPEB policy to incorporate flat dollar employer contributions and those amounts will not be increased in the future. Therefore, no annual healthcare cost trend rates were used in the July 30, 2017 actuarial valuation.

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 2017, the Schools contributed \$5,681,682 to the plan to pay for current premiums (59% of total premiums). Plan members receiving benefits contributed \$3,887,479, or 41% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' General Fund.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(11) Continued***Annual OPEB Cost and Net OPEB Obligation***

The Schools' annual OPEB cost (expense) is calculated based on the 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 29 years

For the year ended June 30, 2017, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$	12,990,000
Interest on net OPEB obligation		11,244,000
Adjustment to annual required contribution		(16,551,000)
Annual OPEB cost		7,683,000
Less employer contributions made		(5,681,682)
Increase in net OPEB obligation		2,001,318
Net OPEB obligation at July 1, 2016		281,100,674
Net OPEB obligation at June 30, 2017	\$	283,101,992

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 7,683,000	\$ 5,681,682	74.0%	\$ 283,101,992
June 30, 2016	8,021,025	6,100,004	76.1%	281,100,674
June 30, 2015	7,676,633	6,637,601	86.5%	279,179,653

In an effort to manage cost, CPS changed the basis for contributions to participants from a premium-based calculation to a fixed dollar amount. The plan provisions have been updated to reflect these changes.

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2016, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	141,887,000
Less actuarial value of plan assets		2,786,002
Unfunded actuarial accrued liability (UAAL)	\$	139,100,998
Funded ratio (actuarial value of plan assets/AAL)		1.96%
Covered payroll	\$	246,995,156
UAAL as a percentage of covered payroll		56.32%

(Continued)

(11) Continued

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' ARC 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, 2016, the ninth year after implementation. The schedule provides 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. In fiscal year 2014, the Schools changed its OPEB policy to incorporate flat dollar employer contributions and those amounts will not be increased in the future. Therefore, no annual healthcare cost trend rates were used in the July 1, 2014 actuarial valuation. The Schools' UAAL are being amortized as a level dollar amount on an open basis within a period of 30 years.

Notes to Basic Financial Statements
June 30, 2017

(12) Fund Balances***Primary Government***

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 1,289,627	-	-	-	1,289,627
Prepaid expenditures and other assets	22,216	-	-	171,664	193,880
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	1,311,843	-	-	184,459	1,496,302
Restricted for cash flow emergencies	33,795,931	-	-	-	33,795,931
Restricted other:					
General Government					
Advances to component units and other	82,362	113,738	-	-	196,100
Tax increment financing - Greenbrier	-	-	-	19,029,755	19,029,755
Tax increment financing - South Norfolk	-	-	-	7,434,771	7,434,771
Proffers	-	-	-	860,158	860,158
Grants	-	-	-	1,851,554	1,851,554
Total General Government	82,362	113,738	-	29,176,238	29,372,338
Public Safety					
Proffers	-	-	-	111,510	111,510
Grants	-	-	-	1,851,191	1,851,191
Total Public Safety	-	-	-	1,962,701	1,962,701
Public Works					
Proffers	-	-	-	1,681,472	1,681,472
Grants	-	-	-	6,496	6,496
Total Public Works	-	-	-	1,687,968	1,687,968
Parks and Recreation					
Grants	-	-	-	159,052	159,052
Total Parks and Recreation	-	-	-	159,052	159,052
Public Welfare					
Integrated behavioral healthcare	-	-	-	6,560,826	6,560,826
Grants	-	-	-	150,620	150,620
Total Public Welfare	-	-	-	6,711,446	6,711,446
Education					
Proffers	-	-	-	8,817,130	8,817,130
Education permanent funds interest	-	-	-	182,815	182,815
Total Education	-	-	-	8,999,945	8,999,945
Oak Grove connector	643,264	-	-	-	643,264
VGOF Dollar Tree	4,000,000	-	-	-	4,000,000
Poindexter Street construction	-	-	56	-	56
Total restricted other	4,725,626	113,738	56	48,697,350	53,536,770

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2017

(12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Committed for one time projects	56,288,856	-	-	-	56,288,856
Committed other:					
General Government:					
Law Library	6,541	-	-	-	6,541
Technology fees	446,518	-	-	-	446,518
Treasurer's EGOV	27,560	-	-	-	27,560
Treasurer's late license fee	3,485,419	-	-	-	3,485,419
Litigation reserve	1,252,558	-	-	-	1,252,558
Treasurer's EZ Pass	8,713	-	-	-	8,713
Juvenile services	-	-	-	375,000	375,000
Open space agriculture preservation	-	-	-	2,365,609	2,365,609
Total General Government	5,227,309	-	-	2,740,609	7,967,918
Public Safety:					
Radio system (800 MHZ)	1,700,591	-	-	-	1,700,591
Animal Control fees	10,820	-	-	-	10,820
Total Public Safety	1,711,411	-	-	-	1,711,411
Public Works					
Hurricane Matthew restoration	2,500,000	-	-	-	2,500,000
Overweight fines	41,176	-	-	-	41,176
Excavation fees	233,181	-	-	-	233,181
Prorata drainage	-	-	5,093,627	-	5,093,627
Total Public Works	2,774,357	-	5,093,627	-	7,867,984
Parks and Recreation					
Open space	-	-	2,480,045	-	2,480,045
Total Parks and Recreation	-	-	2,480,045	-	2,480,045
Public Welfare					
Public assistance	-	-	-	186,338	186,338
CSB of Chesapeake, Inc	-	-	-	358,755	358,755
Community development	-	-	-	343,006	343,006
Housing trust	-	-	-	48,747	48,747
Total Public Welfare	-	-	-	936,846	936,846
City future capital projects	10,447,929	-	-	-	10,447,929
Encumbrances	3,626,912	-	39,090,527	711,937	43,429,376
Economic development investment program	1,232,475	-	-	-	1,232,475
Schools future capital projects	11,370,645	-	-	-	11,370,645
Schools reversion	1,311,509	-	-	-	1,311,509
Total committed other	37,702,547	-	46,664,199	4,389,392	88,756,138

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements

June 30, 2017

(12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Assigned:					
General Government:					
Clerk of the Circuit Court - technology	109,893	-	-	-	109,893
Sheriff - work release	195,799	-	-	-	195,799
Commissioner of the Revenue - cigarette tax stamps	35,000	-	-	-	35,000
Local developers	-	-	224,296	-	224,296
Conference Center	-	-	-	4,834,761	4,834,761
Juvenile services	-	-	-	2,566,609	2,566,609
Total General Government	340,692	-	224,296	7,401,370	7,966,358
Public Safety:					
E-911	-	-	-	3,723,598	3,723,598
Fee supported activities	-	-	-	1,258,552	1,258,552
Total Public Safety	-	-	-	4,982,150	4,982,150
Public Works					
Street maintenance	733,425	-	-	-	733,425
Prorata drainage	-	-	1,521,121	-	1,521,121
Jordan Bridge	-	-	300,000	-	300,000
Total Public Works	733,425	-	1,821,121	-	2,554,546
Parks and Recreation					
Open space	-	-	13,150	-	13,150
Total Parks and Recreation	-	-	13,150	-	13,150
Public Welfare					
Public assistance	-	-	-	6,325,810	6,325,810
Integrated behavioral healthcare	-	-	-	4,644,155	4,644,155
Interagency consortium	-	-	-	633,005	633,005
Total Public Welfare	-	-	-	11,602,970	11,602,970
Education:					
Revenue sharing	4,157,969	-	-	-	4,157,969
Cash reversion	60,522	-	-	-	60,522
Total Education	4,218,491	-	-	-	4,218,491
Debt service payments	-	16,084,551	-	-	16,084,551
City future capital projects	-	-	90,426,243	-	90,426,243
Total assigned	5,292,608	16,084,551	92,484,810	23,986,490	137,848,459
Unassigned:	67,591,862	-	-	-	67,591,862
Total fund balance	\$ 206,709,273	16,198,289	139,149,065	77,257,691	439,314,318

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(13) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by a third party for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2017.

(14) Commitments

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 9, 2017, which was later amended on June 27, 2017. The total estimated cost of this program amounted to \$646,975,984 to be funded from anticipated state and federal funds, debt financing, local fees and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date.

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

Funds Previously Appropriated	\$ 212,342,530
General Fund - Unassigned	29,521,685
General Fund - Committed for City Capital Projects	35,050,585
General Fund - Committed for Schools	34,580,500
Capital Projects Fund Balance	5,470,000
Information Technology - Fund Balance	1,655,000
Other Funds - Fund Balance	4,529,000
Greenbrier TIF Fund Cash	10,200,000
SoNo TIF Fund Cash	1,000,000
State Grant	22,300,000
Other Grants	4,307,203
Proffers	5,200,000
Public Utilities Operations	68,351,945
Stormwater Management Operations	28,700,000
Chesapeake Transportation System - Fund Balance	3,311,550
Borrowing Authority - Unissued	37,088,075
Borrowing Authority - Greenbrier TIF	16,000,000
Borrowing Authority - Short Term Financing	4,500,000
Borrowing Authority - VPSA	85,774,765
Public Utilities - Borrowing Authority Revenue Supported	37,093,146
	<u>\$ 646,975,984</u>

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(14) Continued***Dollar Tree***

In August 2016, Dollar Tree formally announced the \$110.0 million expansion of its corporate headquarters in the Greenbrier area. The project is anticipated to be completed by 2023 and features the construction of a new 12-story office building within a “town center” environment and is expected to include dining and retail development. The City Council approved a development agreement with Dollar Tree in December 2016 and has committed to providing \$20.5 million in local incentives through the Economic Development Authority, including \$16.0 million for the purchase of a portion of parking decks for public use and an Economic Development Incentive Program grant of \$4.5 million. In addition, the City has agreed to contribute a maximum of \$16.3 million for transportation, utility and other public improvements in connection with the project.

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year-end. Outstanding encumbrances as of June 30, 2017 for the City and the Schools are as follows:

City		Schools	
<u>Governmental Funds</u>		<u>Governmental Funds</u>	
General Fund	\$ 3,626,912	General Fund	\$ 1,701,592
Capital Projects	39,090,527	Capital Projects	5,849,058
Other Governmental Funds	711,937	Other Governmental Funds	5,020
Total	\$ 43,429,376	Total	\$ 7,555,670

(15) Joint Venture

On October 1, 2014, the City was inducted as a member of the Hampton Roads Regional Jail Authority (HRRJA). HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk, Portsmouth and Chesapeake and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. Chesapeake is responsible for paying the Authority a per diem charge per inmate. Chesapeake guaranteed paying for 50 inmates per day starting July 1, 2014 and increasing by 25 inmates per quarter until the guarantee payment of 250 inmates per day is reached.

As a condition of its admission as a member, the City agreed to make a payment of \$3.0 million in addition to its required payments for inmates. The \$3.0 million was scheduled and paid in three parts. The City paid \$1.0 million for the initial payment that was due October 1, 2014, \$1.0 million that was due before July 15, 2015, and \$1.0 million that was due before July 15, 2016. The terms of this agreement do not convey an equity interest in the HRRJA and accordingly, no equity interest has been reflected in the City’s financial statements. Complete audited financial statements for the HRRJA are available from the administrative office at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(16) Contingent Liabilities

Self-Insurance

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

	Self-insurance Risk Retention	Commercial Insurance Aggregate Coverage Limit
General and automobile liability claims	\$ 2,000,000	10,000,000
Public official, law enforcement officer and other liability	100,000	2,000,000
Workers' compensation claims (non-public safety)	1,250,000	25,000,000
Workers' compensation claims (public safety)	1,500,000	25,000,000

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 66 ²/₃ percent of their salary for up to 500 weeks and medical care for their injury. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years.

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

The claims liability of \$26,099,460 reported in the Self-Insurance Fund at June 30, 2017 is based on the requirements of GAAP. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2017 and 2016 were as follows:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2017	\$ 26,772,535	5,408,479	6,081,554	26,099,460
6/30/2016	28,538,666	4,619,561	6,385,692	26,772,535

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(16) Continued

Effective January 1, 2016 the City began self-funding health insurance coverage for its participating employees and retirees and established the Self-Funded Health Fund for reporting of these activities. The City provided health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses and aggregate coverage is capped at 120% of expected claims as determined during the annual rate setting process in consultation with the City's third party administrator and health benefits consultant. The City purchases commercial insurance coverages for excess amounts. Claims processing and payments for self-funded health claims are made through a third-party administrator. Amounts due as of June 30, 2017 are recognized as current portion of a long-term liability in the statement of net position. The City uses information provided by the third-party administrator and health benefits consultant to aid in the determination of self-funded health insurance liabilities. The total computed liability as of June 30, 2017 is \$2,517,342. Other health related insurance coverages (dental and vision) are provided on a fully insured basis.

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has an \$800,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation, medical and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. Amounts due in future years on claims as of June 30, 2017 are recognized as a long-term liability in the statement of net position. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2017 is \$10,608,300.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2017 and 2016 were as follows:

Fiscal Year Ended	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
6/30/2017	\$ 10,331,953	69,122,686	68,846,339	10,608,300
6/30/2016	10,371,633	67,971,416	68,011,096	10,331,953

The liability at June 30, 2017 is comprised of \$3,448,683 in long-term liabilities and \$7,159,617 in accounts payable and accrued expenses related to medical and dental claims.

Federal Award Programs

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

Notes to Basic Financial Statements
June 30, 2017

(16) Continued

Public Utilities Pro-Rata

The City's Pro-Rata Program (program), administered by the Department of Public Utilities (Public Utilities), allows developers or entities that construct utility assets that will serve an area greater than its subdivision or development (the initial developers) to receive a reimbursement as a proportionate share of its construction costs from other individuals or entities that will utilize the installed utility assets (subsequent developers). Upon acceptance, the utility assets are dedicated to the City and accepted into the Public Utility water and sewer system. The City's Department of Public Utilities has responsibility for the operation and maintenance of the dedicated utility assets.

The program's Pro Rata Policy (policy) requires each initial developer to satisfy five conditions before it is eligible to receive reimbursements under the program. Among these five conditions is a requirement that the initial developer submit appropriate documentation to Public Utilities that verifies the initial developer's total cost expenditures for the installed utility asset. In addition, initial developers must execute an agreement with the City that quantifies its proportional share of the construction costs (i.e., what that developer would have paid if the utility asset served only its development) and also an approximation of estimated subsequent developer reimbursements (i.e., what subsequent developers will likely owe to the initial developer when or if they utilize or benefit from the initial developer installed utility assets). The initial developer, once it receives the agreement, has twenty-one days to elect a method of reimbursement. It can elect a traditional pro rata reimbursement, which is a reimbursement of payments that the City receives from each subsequent developer (and is based upon the estimated benefit that the subsequent developer receives by utilizing the installed utility assets), or it can elect to receive connection fees, which are generally paid by home builders that purchase properties within the initial developer's subdivision. Connection fees are a standardized City-wide service fee paid by citizens or entities that utilize City water and sewer assets. The total connection fee reimbursement that an initial developer can receive is contractually limited to the estimated pro rata reimbursement figure contained in its initial developer agreement with the City. If no method of reimbursement is elected within the twenty-one days, the initial developer forfeits its right to connection fee reimbursement and elects, by default, traditional pro rata reimbursement. The initial developer is not eligible for a reimbursement where a subsequent developer has not yet paid its pro rata share of costs to Public Utilities.

Public Utilities staff continuously evaluates this program for revisions and improvements as well as to identify reimbursements due to initial developers. At June 30, 2017, a liability of \$0.7 million has been recorded for amounts received, but not yet reimbursed, to initial developers who signed an agreement with the City and have met all five required conditions for pro rata reimbursement under the program.

It is important to note that each service area under the Pro Rata Program may take years to complete. This is so because, at inception, it is difficult to determine how many subsequent developers will utilize the installed utility assets, or the extent of such usage. In addition, the original engineering calculation, which determines the initial developer's pro rata reimbursement estimate, may change over time depending upon a number of factors, including actual subsequent developments that benefit from the installed assets, the actual cost of the installed assets, future environmental restrictions (i.e., wetlands) and the ultimate delineation of pump station service areas. Furthermore, it is neither estimable nor is it determinable exactly when a subsequent developer will make a payment to the City, which, in turn, obligates the City to remit a reimbursement to an initial developer if all conditions under the policy have been met. Of note, reimbursable connection fees or subsequent developer payments may have been received and recorded as revenue prior to the initial developer executing an agreement, completing an election to receive reimbursement or providing documents to Public Utilities that meet the total-cost-expenditure substantiation requirements contained in the policy. As a complicating factor, the City cannot anticipate, and has no way of knowing in advance, the

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(16) Continued

initial developer's method-of-reimbursement election, and connection fees are recorded as revenue and are not eligible to be recorded as liabilities until such time as the initial developer executes the agreement, provides the appropriate approved documents and receipts that allow verification of utility improvement costs and makes its method-of-reimbursement election and cash is received from a reimbursable source. The amount payable to initial developers for whom the City has not yet received cash from subsequent developers but with whom the City has executed agreements is approximated herein as a contingent liability and is roughly estimated as approximately up to \$5.3 million. If the five conditions for reimbursement have been satisfied, upon receiving cash, these payments will be made and the contingent liability reduced.

The estimated contingent liability for reimbursements that are due to initial developers wherein payments have already been received from subsequent developers, but that have not been paid by the City as a result of the five conditions not yet having been met, total a contingent liability of approximately up to \$5.8 million. Nevertheless, these amounts will be reimbursed by the City if and when all five conditions required under the policy have been met. The method-of-reimbursement election for payments due under these scenarios are unknown since no election has been made. The calculation of the liabilities contained in this paragraph has focused specifically on pro rata projects that have taken place within the last ten years, as the likelihood of projects older than ten years meeting all five conditions was deemed to be remote. Additionally, certain subsequent developer payments have been and will continue to be received by the City under circumstances where the City cannot remit reimbursement to the initial developer because the initial developer has not satisfied all of the conditions to qualify for reimbursement. These funds will be retained by the City.

As a caveat, ongoing administration of the Pro-Rata Program (which originated in 1982) requires the assessment of records that were contained on certain recordkeeping systems, software or hardware systems that are no longer available, or technologically inaccessible, and thus it is not possible to know with certainty if all amounts have been identified; but the available information has been reviewed and identified to the best of the City's ability.

Southeastern Public Service Authority (SPSA)

Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. On April 29, 2010, the City executed a new guaranty agreement with SPSA, along with all of its other member communities. Under the new agreement, these cities and counties agree to guarantee the remainder of SPSA's debt not to exceed \$50,000,000 in the aggregate. The City's applicable percentage is 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA. The change in the City's guaranty agreement resulted in part from the sale of SPSA's Waste-to-Energy facilities to Wheelabrator Technologies, Inc. on April 29, 2010, allowing the principal amount of SPSA's outstanding indebtedness to be reduced to \$75.0 million from \$218.0 million. At June 30, 2017, SPSA's outstanding indebtedness totaled \$9.9 million. The City's current contract with SPSA terminates on January 24, 2018; however, on April 26, 2016, the City Council approved a new contract with SPSA for post-2018 service. Complete audited financial statements for SPSA are available from the administrative office at 723 Woodlake Drive, Chesapeake, Virginia 23320.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(16) Continued

SPSA Lease Extension

On April 26, 2016 the City Council voted to extend an existing lease agreement between SPSA and the City dated June 12, 1984 for the use of property located at 901 Hollowell Lane in the Washington Borough of the City. The prior lease was to expire on May 31, 2016 and the lease extension agreement will extend the term of the lease until January 24, 2018 when the current Use and Support Agreements with SPSA will expire. This property is utilized by SPSA as a waste transfer station and the City uses this transfer station for 87% of its waste disposal tonnages with the remainder divided among the Wheelabrator plant in Portsmouth, the Norfolk transfer station and the Suffolk transfer stations.

Litigation

Hampton Roads Regional Jail Authority Litigations

The Hampton Roads Regional Jail Authority (HRRJA), of which the City is a member has answered two wrongful death complaints. The litigation is ongoing. The Virginia Risk Management (VARISK) program has the authority to, and is, representing HRRJA in these lawsuits, in which they plan to mount a vigorous defense. The outcome is unknown at this time.

Courtney Dixon v. City of Chesapeake

Filed on October 21, 2014, Plaintiff brings this suit against the City alleging negligence in maintaining the Campostella overpass which resulted in an accident on March 4, 2014 that the plaintiff claims caused personal injuries. The complaint alleges \$5,000,000 in compensatory damages and costs. This matter was dismissed on July 13, 2017, by Order entered in the Chesapeake Circuit Court. The Plaintiff has petitioned the Virginia Supreme Court for an appeal. The Court has not yet ruled on Plaintiff's petition. The City is unable to predict the outcome of this matter.

Jupiter Dennell Wilson, Sr. v City of Chesapeake

Plaintiff *pro se* is a City of Chesapeake firefighter who has filed three lawsuits against the City pursuant to Title VII of the Civil Rights Act of 1964, as amended, and the Age Discrimination in Employment Act of 1967, as amended. The lawsuits alleges race and age discrimination and retaliation. Plaintiff seeks \$5 million, \$10 million, and \$20 million, respectively, to include compensatory and punitive damages and attorney's fees. Plaintiff previously filed a similar lawsuit against the City in 2014; the District Court dismissed this lawsuit and the dismissal was upheld by the Court of Appeals for the Fourth Circuit on Plaintiff's appeal. A jury trial is scheduled for January 23-26, 2018. The City is unable to predict the outcome of this matter.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(16) Continued

Wade B. Satterfield v. City of Chesapeake

Plaintiff is a Chesapeake Police Officer who has filed a lawsuit against the City, one former and three current City employees, pursuant to Title VII of the Civil Rights Act of 1964, as amended, and the Civil Rights Act of 1966, as amended by the Civil Rights Restoration Act of 1991, 42 U.S.C. § 1981. Filed on November 17, 2016, the lawsuit alleges race discrimination, retaliation, and hostile work environment. Plaintiff seeks compensatory and punitive damages in a yet to be determined amount, and attorney's fees. The City filed a Motion to Dismiss on June 14, 2017 for lack of subject matter jurisdiction and failure to state a claim. The Court granted in part, and denied in part, the City's Motion to Dismiss, so that the only claims surviving are Plaintiff's Title VII retaliation claim against the City, and Section 1981 retaliation claim against the individual defendants. A jury trial is scheduled for April 10-11, 2018. This case is in the beginning of the discovery phase of litigation. The City is unable to predict the outcome of this matter.

John W. Proffitt v. City of Chesapeake, et al.

On April 10, 2017, the City was served with a lawsuit filed in the Portsmouth Circuit Court on March 31, 2017, naming the City of Chesapeake, the Hampton Roads Regional Jail Authority, and the Hampton Roads Regional Jail as defendants in the wrongful death of Ronnie Lee Proffitt. Mr. Proffitt died while in the custody of the Hampton Roads Regional Jail (HRRJ) on April 27, 2016. Mr. Proffitt was arrested by Chesapeake police officers on March 31, 2016 for a violation of probation and was held in the Chesapeake City Jail until April 14, 2016. Mr. Proffitt was an inmate at HRRJ from April 15, 2016 until the time of his death, which was allegedly caused by the neglect of Mr. Proffitt's physical health and denial of required medication and medical equipment for Mr. Proffitt's heart condition during his time at HRRJ. The lawsuit alleges that Mr. Proffitt was denied access to medications and medical care at the time of his arrest, during his detention at the Chesapeake City Jail, and at the HRRJ. The Plaintiff is seeking \$2,000,000 in compensatory damages, and \$350,000 in punitive damages. The City has filed a Demurrer, Special Plea of Sovereign Immunity, and an Answer. At present, there is no hearing date or a trial date set. The City is unable to predict the outcome of this matter.

Pollution Remediation

The City of Chesapeake is under a Commonwealth of Virginia Department of Environmental Quality Consent Order Dated December 19, 2014, relating to sanitary sewer overflows. This order applies to 14 localities in the Hampton Roads Area. The Consent Order reflects a February, 2014 Memorandum of Agreement (MOA) between all of the Localities and the Hampton Roads Sanitation District (HRSD) and assigns responsibilities to each party. HRSD assumes responsibility for all wet weather and capacity based on sanitary sewer overflows and their associated repairs. The City of Chesapeake assumes responsibility for dry weather, maintenance and operations based sanitary overflows and their associated remediation and repair. The HRSD is also subject to a USEPA Consent Decree relating to the same issue, which also identifies responsibilities per the February, 2014 MOA. Per this Consent Decree, HRSD is developing a Regional Wet Weather Management Plan that will identify what work tasks need to be completed when HRSD and localities' sewer systems relating to capacity. Once this plan is completed, each locality, including the City of Chesapeake, will be able to complete development of their own plan identifying what work needs to be completed in order to comply with the DEQ Consent Order.

(Continued)

Notes to Basic Financial Statements
June 30, 2017

(17) Fund Deficits

The Self-Insurance Fund and Self-Funded Health Fund, both Internal Service Funds, had net position deficits of \$2,306,397 and \$1,099,432 respectively at June 30, 2017. These deficits will be funded by future internal billings to other funds of the City.

The Chesapeake Public Schools, a component unit, had a net position deficit of \$426,892,386 at June 30, 2017. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation and net pension liability. At June 30, 2017, the School's net OPEB obligation and net pension liability were \$283,101,992 and \$419,826,641 respectively.

(18) New Accounting Pronouncements

The GASB has issued the following pronouncements prior to June 30, 2017, which have effective dates that may impact future presentations.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 will be effective for the City beginning with year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 will be effective for the City beginning with year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 87, *Leases*. GASB Statement No. 87 will be effective for the City beginning with year ending June 30, 2021.

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

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Chesapeake
VIRGINIA

Required Supplementary Information



CITY OF CHESAPEAKE, VIRGINIA

Schedule L-1

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund - unaudited
 Year Ended June 30, 2017

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
REVENUES				
General property taxes	\$ 306,716,796	306,716,796	310,181,000	3,464,204
Other local taxes	123,691,202	123,691,202	122,326,122	(1,365,080)
Licenses, permits and fees	8,804,540	8,804,540	8,976,982	172,442
Fines and forfeitures	2,446,400	2,446,400	2,324,124	(122,276)
Investment income	528,300	528,300	1,199,304	671,004
Revenues from use of property	713,550	713,550	693,511	(20,039)
Charges for services	12,932,161	12,932,161	13,079,124	146,963
Miscellaneous local revenues	179,120	229,200	416,560	187,360
Recovered costs	110,300	111,774	296,327	184,553
Intergovernmental revenues:				
Commonwealth of Virginia	87,503,419	88,132,171	92,773,348	4,641,177
Federal government	55,200	121,657	148,016	26,359
Total revenues	543,680,988	544,427,751	552,414,418	7,986,667
EXPENDITURES				
Current:				
General government	116,554,121	118,445,294	106,785,129	11,660,165
Public safety	92,942,717	94,160,555	90,109,511	4,051,044
Public works	67,050,195	67,394,035	61,413,782	5,980,253
Parks and recreation	12,873,106	13,017,362	10,760,650	2,256,712
Debt Service	2,598,000	2,023,000	1,990,000	33,000
Total expenditures	292,018,139	295,040,246	271,059,072	23,981,174
Excess (deficiency) of revenues over (under) expenditures	251,662,849	249,387,505	281,355,346	31,967,841
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	3,772,760	3,700,810	3,801,527	100,717
Transfer from component units	-	-	214,527	214,527
Transfer from component unit - cash reversion	-	-	60,521	60,521
Transfers to other funds	(66,327,617)	(75,251,122)	(67,117,468)	8,133,654
Transfer to component units	(199,272,969)	(199,272,969)	(199,272,969)	-
Total other financing sources (uses)	(261,827,826)	(270,823,281)	(262,313,862)	8,509,419
Net Change in Fund Balance	(10,164,977)	(21,435,776)	19,041,484	40,477,260
Fund balance - beginning	187,667,789	187,667,789	187,667,789	-
Fund balance - ending	\$ 177,502,812	166,232,013	206,709,273	40,477,260

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedule of Employer Contributions - Virginia Retirement System - unaudited
Year Ended June 30, 2017

City

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2017	\$ 20,969,936	20,969,936	-	153,143,100	13.69%
June 30, 2016	23,566,227	23,566,227	-	147,330,182	16.00%
June 30, 2015	23,293,190	23,293,190	-	144,086,821	16.17%
June 30, 2014	21,787,520	21,787,520	-	138,455,434	15.74%

Schools' Nonprofessional Employees

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2017	\$ 1,936,293	1,936,293	-	21,645,530	8.95%
June 30, 2016	2,290,138	2,290,138	-	23,095,417	9.92%
June 30, 2015	2,321,931	2,321,931	-	23,066,755	10.07%
June 30, 2014	2,399,609	2,399,609	-	22,808,112	10.52%

Schools' Professional Employees

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2017	\$ 32,815,991	32,815,991	-	225,349,626	14.56%
June 30, 2016	30,557,558	30,557,558	-	236,403,654	12.93%
June 30, 2015	31,725,142	31,725,142	-	236,110,273	13.44%
June 30, 2014	25,246,663	25,246,663	-	233,462,806	10.81%

Schedule is intended to show information for 10 years. Additional years will be included as they are available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2017

City Employees	2015*	2016*	2017*
Total pension liability			
Service cost	\$ 18,811,281	18,816,001	19,256,498
Interest cost	52,973,477	55,502,643	57,375,617
Difference between expected and actual experience	-	(8,933,171)	11,760,453
Benefit payments, including refunds of employee contributions	(34,074,130)	(37,233,496)	(40,023,900)
Net change in total pension liability	37,710,628	28,151,977	48,368,668
Total pension liability - beginning	773,801,021	811,511,649	839,663,626
Total pension liability - ending	\$ 811,511,649	839,663,626	888,032,294
Plan fiduciary net position			
Contributions - employer	\$ 21,780,263	23,309,941	23,585,872
Contributions - employee	7,107,584	7,364,024	7,428,153
Net investment income	94,184,657	31,352,624	12,288,110
Benefit payments, including refunds of employee contributions	(34,074,130)	(37,233,496)	(40,023,900)
Administrative expense	(507,330)	(429,327)	(441,129)
Other	4,964	(6,630)	(5,228)
Net change in plan fiduciary net position	88,496,008	24,357,136	2,831,878
Plan fiduciary net position - beginning	598,576,634	687,072,642	711,429,778
Plan fiduciary net position - ending	\$ 687,072,642	711,429,778	714,261,656
Net pension liability - ending	\$ 124,439,007	128,233,848	173,770,638
Plan fiduciary net position as a percentage of total pension liability	84.67%	84.73%	80.43%
Covered payroll	\$ 138,455,434	144,086,821	147,330,182
Net pension liability as a percentage of covered payroll	89.88%	89.00%	117.95%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other historical data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2017

Schools' Nonprofessional Employees:	2015*	2016*	2017*
Total pension liability			
Service cost	\$ 2,157,963	2,148,602	2,136,694
Interest cost	5,971,479	6,232,246	6,531,345
Difference between expected and actual experience	-	366,267	(1,148,254)
Benefit payments, including refunds of employee contributions	(4,578,086)	(4,230,322)	(4,718,205)
Net change in total pension liability	3,551,356	4,516,793	2,801,580
Total pension liability - beginning	87,595,888	91,147,244	95,664,037
Total pension liability - ending	\$ 91,147,244	95,664,037	98,465,617
Plan fiduciary net position			
Contributions - employer	\$ 2,399,609	2,321,495	2,290,549
Contributions - employee	1,057,299	1,063,283	1,052,203
Net investment income	10,545,595	3,503,699	1,365,632
Benefit payments, including refunds of employee contributions	(4,578,086)	(4,230,322)	(4,718,205)
Administrative expense	(57,298)	(48,093)	(49,417)
Other	556	(743)	(582)
Net change in plan fiduciary net position	9,367,675	2,609,319	(59,820)
Plan fiduciary net position - beginning	67,634,802	77,002,477	79,611,796
Plan fiduciary net position - ending	\$ 77,002,477	79,611,796	79,551,976
Net pension liability - ending	\$ 14,144,767	16,052,241	18,913,641
Plan fiduciary net position as a percentage of total pension liability	84.48%	83.22%	80.79%
Covered payroll	\$ 22,808,112	23,066,755	21,645,530
Net pension liability as a percentage of covered payroll	62.02%	69.59%	87.38%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-5

Schedule of Employer's Share of Net Pension Liability - unaudited
VRS Teacher Retirement Plan
Year Ended June 30, 2017

Schools' Professional Employees:	2015*	2016*	2017*
Employer's Proportion of the Net Pension Liability (Asset)	2.96080%	2.94792%	2.86078%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 357,804,000	371,035,000	400,913,000
Employer's Covered Payroll	\$ 233,462,806	236,110,273	225,349,626
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	153.26%	157.14%	177.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%	68.28%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-6

Schedules of Funding Progress - Other Postemployment Benefits - unaudited
Year Ended June 30, 2017

City

Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2017	June 30, 2017	\$ 79,608,463	81,784,000	2,175,537	97.34%	\$ 153,143,100	1.42%
July 1, 2016	June 30, 2016	74,600,436	75,820,000	1,219,564	98.39%	147,330,182	0.83%
July 1, 2015	June 30, 2015	66,697,474	111,653,000	44,955,526	59.74%	144,086,821	31.20%

Schools

Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2016	June 30, 2017	\$ 2,786,002	141,887,000	139,100,998	1.96%	\$ 246,995,156	56.32%
July 1, 2015	June 30, 2016	11,904,540	145,505,736	133,601,196	8.18%	239,436,096	55.80%
July 1, 2014	June 30, 2015	11,658,005	142,117,300	130,459,295	8.20%	240,652,174	54.21%

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-7

Schedules of Employer Contributions - Other Postemployment Benefits - unaudited
 Year Ended June 30, 2017

City

		Annual Required Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Actual Amount Contributed in Percent
Fiscal year ended June 30:					
2017	\$	2,557,000	5,041,599	(2,484,599)	197.17%
2016		3,089,000	8,643,349	(5,554,349)	279.81%
2015		7,851,000	13,401,054	(5,550,054)	170.69%

Schools

		Annual Required Contribution	Actual Amount Contributed in Dollars	Contribution Deficiency (Excess)	Actual Amount Contributed in Percent
Fiscal year ended June 30:					
2017	\$	12,990,000	5,681,682	7,308,318	43.74%
2016		12,377,878	6,100,004	6,277,874	49.28%
2015		12,017,270	6,637,601	5,379,669	55.23%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-8

Schedule of Changes in the Net OPEB Liability and Related Ratios - unaudited
Year Ended June 30, 2017

City	2017
Total OPEB liability	
Service cost	\$ 2,316,223
Interest cost	5,359,547
Difference between expected and actual experience	1
Benefit payments	(4,913,852)
Net change in total OPEB liability	2,761,919
Total OPEB liability - beginning	79,021,888
Total OPEB liability - ending	\$ 81,783,807
Plan fiduciary net position	
Contributions - employer	\$ 4,913,852
Net investment income	7,153,932
Benefit payments	(4,913,852)
Net change in plan fiduciary net position	7,153,932
Plan fiduciary net position - beginning	71,492,410
Plan fiduciary net position - ending	\$ 78,646,342
Net OPEB liability - ending	\$ 3,137,465
Plan fiduciary net position as a percentage of total OPEB liability	96.16%
Covered payroll	\$ 153,143,100
Net OPEB liability as a percentage of covered payroll	2.05%
Expected average remaining service years of all participants	6
Annual money - weighted rate of return, net of investment expense	10.5%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other historical data is available. However, additional years will be included as they become available

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-9

Schedule of Changes in the Net OPEB Liability and Related Ratios - unaudited
Year Ended June 30, 2017

Schools	2017
Total OPEB liability	
Service cost	\$ 5,640,881
Interest cost	4,683,042
Difference between expected and actual experience	(1,299,051)
Change in assumption	(13,473,773)
Benefit payments	(5,681,682)
Net change in total OPEB liability	(10,130,583)
Total OPEB liability - beginning	167,158,106
Total OPEB liability - ending	\$ 157,027,523
Plan fiduciary net position	
Contributions - employer	\$ 5,681,682
Net investment income	354,865
Benefit payments	(5,681,682)
Net change in plan fiduciary net position	354,865
Plan fiduciary net position - beginning	2,786,002
Plan fiduciary net position - ending	\$ 3,140,867
Net OPEB liability - ending	\$ 153,886,656
 Plan fiduciary net position as a percentage of total OPEB liability	 2.00%
 Covered payroll	 \$ 246,995,156
 Net OPEB liability as a percentage of covered payroll	 62.30%
 Expected average remaining service years of all participants	 7
 Annual money - weighted rate of return, net of investment expense	 13.04%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other historical data is available. However, additional years will be included as they become available

Unaudited - see accompanying auditors' report and notes to required supplementary information

Notes to Required Supplementary Information
June 30, 2017

(1) Budgets and Budgetary Accounting

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

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

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

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

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

The City Council may authorize supplemental appropriations during the fiscal year based on the availability of financial resources. Effective with budget year beginning July 1, 2016, the City Manager is authorized by City Council to make transfers of funds between funds, departments and programs up to \$250,000 and is required to notify City Council. For any budget transfers are greater than \$250,000, cross capital projects or cross between operating and capital budgets, the requests must be authorized by City Council. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

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

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

Notes to Required Supplementary Information
June 30, 2016

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

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

(2) Retirement Plans

Changes of benefit terms – All Plans

There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the VRS for the four year period ending June 30, 2012:

Schools Professional Employees

- Update mortality table
- Adjustment to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

City Employees and Schools Nonprofessional Employees

Largest 10 – Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOs:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOs:

- Update mortality table
- Adjustment to the rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Unaudited – see accompanying auditors' report

Other Supplementary Information -
Combining and Individual Fund
Schedules



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Chesapeake
VIRGINIA

General Fund

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 236,803,196	238,102,815	1,299,619
Current taxes on public service corporations	8,682,000	9,514,075	832,075
Current taxes on personal property	41,520,000	42,092,621	572,621
Delinquent taxes on real property	4,267,600	3,937,315	(330,285)
Delinquent taxes on personal property	12,536,700	13,562,387	1,025,687
Penalties, interest and advertising	2,907,300	2,971,787	64,487
Total general property taxes	306,716,796	310,181,000	3,464,204
Other local taxes			
Local sales and use taxes	40,091,200	39,192,394	(898,806)
Consumer utility taxes	10,500,000	10,631,194	131,194
Communications sales tax	6,912,002	6,277,151	(634,851)
Business license taxes	26,500,000	26,124,990	(375,010)
Local utility consumption tax	910,000	842,044	(67,956)
Bank stock taxes	1,400,000	1,439,784	39,784
Taxes on recordation and wills	3,300,000	3,286,793	(13,207)
Tobacco taxes	4,500,000	4,415,339	(84,661)
Hotel and motel room taxes	4,300,000	4,609,118	309,118
Restaurant food taxes	23,800,000	23,877,513	77,513
Admission taxes	860,000	937,434	77,434
Short-term rental taxes	618,000	692,368	74,368
Total other local taxes	123,691,202	122,326,122	(1,365,080)
Revenues from local sources			
Licenses, permits and fees:			
Bicycle licenses	-	15	15
Building structure and equipment permits	1,007,723	1,051,725	44,002
Precious metals and gems permits	4,200	4,600	400
Highway and driveway permits	22,200	27,240	5,040
Transfer fees	5,800	7,035	1,235
Zoning inspection fees	60,000	63,676	3,676
Building inspection fees	90,600	105,025	14,425
Electrical inspection fees	293,877	290,691	(3,186)
Elevator inspection fees	11,140	7,840	(3,300)
Plumbing inspection fees	189,774	199,530	9,756
Mechanical permits	366,670	416,033	49,363
Subdivision review fees	189,156	206,720	17,564
Solicitors permits	5,300	6,200	900
Taxi operators licenses	1,700	1,620	(80)
Motor vehicle license	6,283,700	6,343,665	59,965
Inspection fees - gas appliances	63,300	72,200	8,900
Animal license and fees	188,200	162,967	(25,233)
Rodent free certification fee	5,500	4,515	(985)
Hunting and fishing license	-	(185)	(185)
Rental inspection fees	15,700	5,870	(9,830)
Total licenses, permits and fees	8,804,540	8,976,982	172,442
Fines and forfeitures	2,446,400	2,324,124	(122,276)
Investment income	528,300	1,199,304	671,004

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 221,200	227,254	6,054
Rental of recreational properties and facilities	442,050	408,047	(34,003)
Library rental revenue	14,700	19,602	4,902
Rental of showmobile	35,600	38,608	3,008
Total revenues from use of property	713,550	693,511	(20,039)
Charges for services:			
Special court costs	75,500	62,900	(12,600)
Law library fees	86,700	100,341	13,641
Accident report fees	48,600	99,079	50,479
Municipal court fees	53,300	55,270	1,970
Civil penalties	56,700	58,419	1,719
Non-support fees	93,100	128,644	35,544
Commonwealth's Attorney fees	25,500	23,826	(1,674)
Police escort fees	23,400	23,918	518
Sale of service - police	168,000	209,331	41,331
Fire report fees	900	1,219	319
Sheriff fees	22,861	22,861	-
Inmate medical fees	13,600	22,677	9,077
Sale of service - jail	114,800	127,348	12,548
Sale of service - jail inmates	88,700	63,501	(25,199)
Inmate phone system - jail	500,000	829,588	329,588
Sale of service - sheriff	780,350	924,418	144,068
Sale of service - public works	256,000	297,858	41,858
Engineering and administrative fees	20,150	3,147	(17,003)
Recreation fees	1,213,700	1,273,734	60,034
Library fines and fees	306,200	305,929	(271)
Lot processing fees	95,200	125,900	30,700
Sale of service - planning	4,100	7,148	3,048
Sale of service - public information	100	89	(11)
Returned check fees	12,600	12,588	(12)
Custodian service	101,600	112,965	11,365
Wage assignment fees	5,800	13,478	7,678
Sale of service - assessor	6,000	5,375	(625)
Emergency medical service fees	7,300,000	6,277,165	(1,022,835)
Administration collected fees	823,700	962,106	138,406
Wetland board civil fees	39,700	33,600	(6,100)
Passport application fee	79,900	67,925	(11,975)
Sale of service - Commissioner of the Revenue	60,600	87,916	27,316
Subdivision inspection fees	229,400	393,787	164,387
Fire plan review fees	34,200	43,833	9,633
Zoning fees	27,400	24,110	(3,290)
Building plan fees	60,200	53,400	(6,800)
Inspections technology fee	72,400	78,360	5,960
E-Government subscription fee	31,200	33,371	2,171
Cable franchise fees	-	112,000	112,000
Total charges for services	12,932,161	13,079,124	146,963

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Payments in lieu of taxes	\$ -	36,292	36,292
Sale of real property	-	22,500	22,500
Sale of ARC - public works	16,000	23,151	7,151
Sale of junk and salvage	4,000	9,448	5,448
Sale of food and beverages	41,000	26,880	(14,120)
Escheated funds	-	94,701	94,701
Other revenue	168,200	203,588	35,388
Total miscellaneous local revenues	229,200	416,560	187,360
Recovered costs:			
Other recoveries and rebates	111,774	295,787	184,013
Recoveries - Jury	-	540	540
Total recovered costs	111,774	296,327	184,553
Total revenues from local sources	456,173,923	459,493,054	3,319,131
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	184,300	163,570	(20,730)
Mobile home titling taxes	34,700	34,569	(131)
Indirect costs	389,800	240,307	(149,493)
Daily rental taxes - auto	958,500	1,161,115	202,615
Deed taxes	701,700	855,636	153,936
Personal Property Tax Relief	28,590,000	28,590,001	1
Total noncategorical aid	30,859,000	31,045,198	186,198
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,893,400	1,929,870	36,470
Sheriff	9,455,900	9,690,489	234,589
Commissioner of the Revenue	351,500	352,734	1,234
Treasurer	372,300	378,925	6,625
Registrar/Electoral Board	76,800	150,767	73,967
Circuit court clerk	1,180,900	1,120,581	(60,319)
Agriculture	84,270	86,905	2,635
Total shared expenses	13,415,070	13,710,271	295,201

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 2,012,400	1,979,644	(32,756)
Police	6,502,735	6,502,736	1
Street and highway maintenance	33,966,987	33,982,859	15,872
Library	185,144	185,115	(29)
Excess fees	157,500	232,841	75,341
Other state grants	-	4,000,000	4,000,000
Transportation improvement set-aside	1,000,000	1,101,349	101,349
Reimbursement for emergency expense	33,335	33,335	-
Total other categorical aid	43,858,101	48,017,879	4,159,778
Total categorical aid	57,273,171	61,728,150	4,454,979
Total revenues from the Commonwealth	88,132,171	92,773,348	4,641,177
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	29,100	38,119	9,019
Categorical aid:			
Other federal grants	6,100	6,906	806
Drug Enforcement Agency	-	25,299	25,299
Emergency reimbursement - federal	86,457	77,692	(8,765)
Total revenues from the Federal Government	121,657	148,016	26,359
Total revenues	544,427,751	552,414,418	7,986,667
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	214,527	214,527
Chesapeake Public Schools - cash reversion	-	60,521	60,521
Transfers from other funds	3,700,810	3,801,527	100,717
Total other financing sources	3,700,810	4,076,575	375,765
Total revenues and other financing sources	\$ 548,128,561	556,490,993	8,362,432

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2017

	Appropriations	Operating	Expenditures		Total	Balance	Encumbrances	Unencumbered Balance
			Capital Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 969,164	876,447	-	-	876,447	92,717	-	92,717
Executive Department:								
City manager	1,801,773	1,633,195			1,638,770	163,003	-	163,003
Public communications	1,310,292	1,170,969	5,575	-	1,170,969	139,323	10,156	129,167
Contingencies	25,718	-	-	-	-	25,718	-	25,718
Emergency event - 2016 Hurricane Matthew	4,600,000	1,334,295	103,514	-	1,437,809	3,162,191	558,026	2,604,165
Department of Law - City Attorney	2,410,757	2,022,668	-	-	2,022,668	388,089	123	387,966
Department of Finance:								
Commissioner of revenue	3,648,607	3,495,353	25,109	-	3,520,462	128,145	-	128,145
Real estate assessor	2,360,155	2,207,753	-	-	2,207,753	152,402	-	152,402
Board of equalization	4,333	2,268	-	-	2,268	2,065	-	2,065
City treasurer	5,261,048	4,236,011	-	-	4,236,011	1,025,037	-	1,025,037
Director of finance	2,595,245	2,264,547	-	-	2,264,547	330,698	53,810	276,888
Economic development	1,761,389	1,640,628	-	-	1,640,628	120,761	9,820	110,941
Budget director	685,413	676,961	-	-	676,961	8,452	-	8,452
City auditor	625,282	610,451	-	-	610,451	14,831	-	14,831
Independent auditors	187,220	187,220	-	-	187,220	-	-	-
Financial advisory services	62,500	18,772	-	-	18,772	43,728	-	43,728
Department of Human Resources:								
Human resources	2,195,846	2,137,141	-	-	2,137,141	58,705	13,437	45,268
HIPAA	212,723	190,395	-	-	190,395	22,328	-	22,328
Judicial Department:								
Circuit court	674,247	655,589	-	-	655,589	18,658	15,401	3,257
Magistrates office	70,374	57,065	-	-	57,065	13,309	-	13,309
General district court	321,368	269,204	-	-	269,204	52,164	7,378	44,786
Juvenile and domestic relations court	138,223	107,112	-	-	107,112	31,111	10,038	21,073
Court services unit	329,965	260,671	-	-	260,671	69,294	11,031	58,263
Commonwealth's attorney	4,491,155	4,336,087	-	-	4,336,087	155,068	-	155,068
Circuit court clerk	2,402,258	2,093,241	-	-	2,093,241	309,017	9,000	300,017
Sheriff	45,061,660	43,017,011	-	-	43,017,011	2,044,649	106,485	1,938,164
Purchasing	952,648	680,600	-	-	680,600	272,048	538	271,510
Department of Public Health:								
Adult clinics	350,000	350,000	-	-	350,000	-	-	-
General clinics	1,748,968	1,742,983	-	-	1,742,983	5,985	-	5,985
OSHA services	820,447	656,219	-	-	656,219	164,228	1,570	162,658

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2017

	Appropriations	Expenditures			Total	Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
General government, continued:								
Department of Public Library:								
Public library	\$ 8,783,457	7,999,326	78,852		8,078,178	705,279	65,389	639,890
Public library state aid	187,846	185,226	-		185,226	2,620	610	2,010
Law library	105,486	94,024	-		94,024	11,462	-	11,462
Boards and Commissions:								
Planning department	2,156,650	1,963,959	13,004		1,976,963	179,687	424	179,263
Planning commission	149,874	46,196	-		46,196	103,678	-	103,678
Electoral board	1,185,911	1,146,025	-		1,146,025	39,886	-	39,886
Electoral workers	150,304	142,357	-		142,357	7,947	-	7,947
Department of Agriculture	419,399	412,997	-		412,997	6,402	-	6,402
Department of Human Services								
Division of Community Programs	1,100,027	994,173	-		994,173	105,854	6,048	99,806
Customer Contact Center	748,989	751,270	-		751,270	(2,281)	-	(2,281)
Department of Development and Permits:								
Code compliance and zoning administration	3,912,172	3,613,753	-		3,613,753	298,419	513	297,906
Development and permits administration	2,724,789	2,505,133	-		2,505,133	219,656	11,682	207,974
Nondepartmental:								
Support of civic and community organizations	507,644	489,833	-		489,833	17,811	4,725	13,086
Regional cooperation and support	6,723,566	5,850,177	-		5,850,177	873,389	-	873,389
Other nondepartmental support	1,194,772	1,118,140	-		1,118,140	76,632	-	76,632
Chesapeake regional airport	315,630	315,630	-		315,630	-	-	-
Debt service	2,023,000	1,990,000	-		1,990,000	33,000	-	33,000
Total general government	120,468,294	108,549,075	226,054		108,775,129	11,693,165	896,204	10,796,961
Public Safety:								
Police department	44,934,711	42,837,911	110,541		42,948,452	1,986,259	36,584	1,949,675
Animal control	1,836,780	1,709,548	13,278		1,722,826	113,954	12,040	101,914
Public safety training	1,871,288	1,677,682	66,804		1,744,486	126,802	233	126,569
Fire department	43,465,038	41,650,786	39,410		41,690,196	1,774,842	145,370	1,629,472
Fire prevention bureau	1,341,021	1,311,264	-		1,311,264	29,757	4,446	25,311
Fire training	354,931	350,791	-		350,791	4,140	-	4,140
Emergency management operations	356,786	341,496	-		341,496	15,290	-	15,290
Total public safety	94,160,555	89,879,478	230,033		90,109,511	4,051,044	198,673	3,852,371
Public works:								
Engineering and administration	5,068,146	4,713,414	-		4,713,414	354,732	448	354,284
Traffic engineering	6,473,163	6,186,134	112,377		6,298,511	174,652	28,216	146,436
Street maintenance	7,215,659	5,183,893	931,992		6,115,885	1,099,774	410,686	689,088
Bridges and structures	3,360,823	2,993,245	107,864		3,101,109	259,714	209,932	49,782

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
Schedule of Expenditures, Encumbrances and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2017

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
Public works, continued:						
Bureau of drainage	\$ 3,979,565	1,866,815	1,213,070	3,079,885	899,680	172,084
Contractual services	8,163,196	7,207,303	-	7,207,303	955,893	241,717
Buildings maintenance	6,504,182	6,383,406	-	6,383,406	120,776	118,319
Facilities Management - building	1,464,052	1,340,455	7,010	1,347,465	116,587	113,562
Public works operations	1,039,333	979,113	-	979,113	60,220	60,220
Solid waste collection	8,949,645	8,846,890	-	8,846,890	102,755	63,243
SPSA	15,176,271	13,340,801	-	13,340,801	1,835,470	1,778,780
Total public works	67,394,035	59,041,469	2,372,313	61,413,782	2,192,738	3,787,515
Parks and recreation:						
Administration	2,655,489	2,570,678	-	2,570,678	84,811	83,428
Community centers	2,319,591	1,765,992	-	1,765,992	553,599	436,785
Parks operations	1,445,858	1,169,300	45,051	1,214,351	231,507	211,126
Parks and grounds maintenance	3,273,401	2,273,255	307,611	2,580,866	692,535	511,330
Parks, grounds and building maintenance - warehouse and work order	169,387	150,924	-	150,924	18,463	18,463
Recreation programs	1,149,049	1,002,859	-	1,002,859	146,190	129,754
Special programs	1,940,112	1,419,854	-	1,419,854	520,258	517,180
Fine arts programs	64,475	55,126	-	55,126	9,349	9,349
Total parks and recreation	13,017,362	10,407,988	352,662	10,760,650	2,256,712	1,917,415
Total expenditures and encumbrances	295,040,246	267,878,010	3,181,062	271,059,072	3,626,912	20,354,262
OTHER FINANCING USES						
Transfers to component unit:						
Public Schools	199,272,969	199,272,969	-	199,272,969	-	-
Transfers to other funds:						
Debt Service Fund						
Capital Projects Fund	33,878,264	25,754,629	-	25,754,629	8,123,635	8,123,635
Virginia Public Assistance Fund	23,549,246	23,549,246	-	23,549,246	-	-
Integrated Behavioral Healthcare Fund	6,046,135	6,046,135	-	6,046,135	-	-
Juvenile Services Fund	8,134,875	8,134,875	-	8,134,875	-	-
Interagency Consortium Fund	1,557,674	1,557,674	-	1,557,674	-	-
E-911 Operations Fund	1,419,507	1,419,507	-	1,419,507	-	-
Fee Supported Activities Fund	80,229	80,229	-	80,229	-	-
Grants Fund	2,297	2,297	-	2,297	-	-
Community Development Fund	197,764	187,747	-	187,747	10,017	10,017
Information Technology Fund	53,930	53,928	-	53,928	2	2
City Garage Fund	283,810	283,810	-	283,810	-	-
Self-Insurance Fund	37,976	37,976	-	37,976	-	-
	9,415	9,415	-	9,415	-	-
Total transfers to other funds	75,251,122	67,117,468	-	67,117,468	8,133,654	8,133,654
Total other financing uses	274,524,091	266,390,437	-	266,390,437	8,133,654	8,133,654
Total expenditures, encumbrances and other financing uses	\$ 569,564,337	534,268,447	3,181,062	537,449,509	3,626,912	28,487,916

Debt Service Fund

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



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule N

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ -	65,126	65,126
Revenues from use of property	54,889	54,889	-
Miscellaneous local revenues	257,051	257,052	1
Intergovernmental revenues:			
Federal government - American Reinvestment and Recovery Act	890,012	889,080	(932)
Total revenues	1,201,952	1,266,147	64,195
EXPENDITURES			
Interest on general obligation bonds	11,234,477	11,234,477	-
Interest on literary loans	23,944	23,944	-
Arbitrage	-	4,210	(4,210)
Interest on open space agriculture preservation	64,430	64,430	-
Other debt expenditures	8,157,598	510,517	7,647,081
Redemption of general obligation bonds	22,621,535	22,621,535	-
Redemption of literary loans	199,537	199,537	-
Total expenditures	42,301,521	34,658,650	7,642,871
Excess (deficiency) of revenues over (under) expenditures	(41,099,569)	(33,392,503)	7,707,066
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	33,878,264	25,754,629	(8,123,635)
Tax Increment Financing - Greenbrier Fund	1,471,738	1,471,658	(80)
Tax Increment Financing - South Norfolk Fund	600,023	605,550	5,527
Integrated Behavioral Healthcare Fund	291,150	291,150	-
Open Space Agriculture Preservation Fund	64,430	64,430	-
Proffers Fund	717,697	717,697	-
Capital Projects Fund	-	664,278	664,278
Total transfers from other funds	37,023,302	29,569,392	(7,453,910)
Payments from component unit - Public Schools Capital Projects Fund	-	189,865	189,865
Issuance of general obligation refunding bonds	-	5,190,000	5,190,000
Premiums on general obligation bonds issued	-	455,798	455,798
Premiums on general obligation refunding bonds issued	-	760,824	760,824
Payment to refunded bond escrow agent	-	(5,915,421)	(5,915,421)
Total other financing sources (uses), net	37,023,302	30,250,458	(6,772,844)
Net Change in Fund Balance	(4,076,267)	(3,142,045)	934,222
Fund balance - beginning	19,340,334	19,340,334	-
Fund balance - ending	\$ 15,264,067	16,198,289	934,222

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Chesapeake
VIRGINIA

Capital Projects Funds

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

Public Utilities Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for Public Utilities.

Chesapeake Transportation System Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for the Chesapeake Transportation System.

Stormwater Management Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for Stormwater Management.



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1

General Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects:							
General Government:							
1011210100	American with Disability Act III	221	-	-	221	-	221
1011500100	Public Works/Public Utilities Operation Relocation Ph I	9,700,000	2,013	2,528,083	7,171,917	18,400	7,153,517
1011600100	Mosquito Control Facility Relocation	7,210,320	261,296	886,242	6,324,078	4,248,431	2,075,647
1011700100	Airport Authority Renovations	307,000	-	104,425	202,575	-	202,575
1011800100	Compressed Natural Gas (CNG) Fueling Station # 2	1,350,000	-	1,059,275	290,725	290,725	-
1021200100	Facilities High Priority Renewal & Replacement	2,687,973	-	2,687,066	907	-	907
1021500100	High Priority Renewal and Replacements III	6,925,686	1,947,062	5,724,378	1,201,308	677,390	523,918
1021500100	High Priority Renewal and Replacements III	55,815	55,815	55,815	-	-	-
1021600100	Solid Waste Facility Relocation	2,170,000	118,098	139,456	2,030,544	83,794	1,946,750
1021700100	Dominion Boulevard Corridor	345,600	-	313,901	31,699	5,607	26,092
1021800100	Jordan Bridge Memorial	100,000	-	-	100,000	-	100,000
1030810100	American with Disability Act II	20	-	-	20	-	20
1032000100	City Hall 6th Floor Redesign - City Attorney & Manager	100,000	-	-	100,000	-	100,000
1041500100	Municipal Parking Lots and Sidewalks II	800,000	74,001	798,698	1,302	-	1,302
1041700100	South Norfolk - Strategic Acquisition of Real Property	4,851,974	2,757,999	2,790,952	2,061,022	9,000	2,052,022
1042000100	Juvenile Services Building Renovations	2,000,000	43,776	43,776	1,956,224	20,990	1,935,234
1042100100	Social Services Building Restroom Renovation	100,000	4,886	4,886	95,114	-	95,114
1051600100	Disaster Recovery Backup Radio System	32	-	-	32	-	32
1051700100	Council Chambers and Work Session Room	436	-	-	436	-	436
1061600100	Enterprise Kronos Upgrade	1,616	-	-	1,616	-	1,616
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	68,414	-	53,894	14,520	13,477	1,043
1061710100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	620,000	-	-	620,000	236,481	383,519
1071600100	FCC Narrowbanding Compliance	700	-	-	700	-	700
1071700100	Enterprise Wide Technology Improvement - Phase III	750,000	233,972	529,468	220,532	-	220,532
1081600100	Project 25 Radio System	2,548,640	95,021	95,021	2,453,620	796,082	1,657,538
1081600100	Project 25 Radio System	7,053,034	496,883	7,053,034	-	-	-
1081700100	Human Services Case Management System	30,000	-	-	30,000	-	30,000
1081700100	Human Services Case Management System	324,540	-	-	324,540	-	324,540
1081900100	Public Health Center/Health Department Expansion	5,558,826	106,288	106,288	5,452,538	375,813	5,076,725
1090900100	South Norfolk Strategic Development	31,325	-	-	31,325	-	31,325
1091100100	Greenbrier - Wayfinding Signage	236,411	-	66,976	169,435	-	169,435
1091400100	Human Services - HVAC/Emergency Exit	8,320	-	-	8,320	-	8,320
1091700100	Kronos Upgrade	265,000	-	-	265,000	-	265,000
1091900100	Telephone System Upgrades Phase II	3,360	-	-	3,360	-	3,360
1091900100	Telephone System Upgrades Phase II	345,092	-	345,092	-	-	-
1101200100	South Norfolk Community Development	100,000	-	32,812	67,188	-	67,188
1101410100	Telephone System Upgrade	5,052	-	-	5,052	-	5,052
1101900100	Fentress Encroachment Protection	8,635,468	11,369	30,990	8,604,478	-	8,604,478
1101900100	Fentress Encroachment Protection	4,681	400	4,681	-	-	-
1111700100	Maximo Upgrade and Integration to Peoplesoft	305,600	-	-	305,600	-	305,600
1111900100	Citizen Mobile Apps Project	150,000	-	-	150,000	80,475	69,525
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1112000100	Information Technology Help Desk Software Replacement	\$ 325,043	11,610	66,354	77,964	191,309	55,771
1121100100	Enterprise Wide Technology Improvement	23	-	-	-	-	23
1121400100	e-Government Initiative Phase II Web 2.0	8,200	-	-	-	-	8,200
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	240,942	-	22,098	22,098	143,435	75,409
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	617,151	522,133	95,018	617,151	-	-
1122000100	Conference Center Renovation	1,064,860	-	-	-	-	-
1122000100	Conference Center Renovation	200,140	36,228	163,912	200,140	-	-
1131200100	Greenbrier TIF - Greenbrier Center District	3,522,754	1,562,009	61,647	1,623,657	383,445	1,515,652
1131210100	Greenbrier TIF - Battlefield/Volvo Improvements	681,402	571,649	-	571,649	109,753	109,753
1131220100	Greenbrier TIF - StreetScape Lighting	1,469,697	654	1,453,043	1,453,697	15,529	471
1131700100	WCTV Field and Remote Equipment Replacements	295	-	-	-	295	295
1141000100	Greenbrier TIF - Conference Center District	99,697	33,376	-	33,376	66,321	66,321
1141700100	WCTV Studio Equipment Replacements	126	-	-	-	126	126
1150900100	Fire Station 3 - Indian River	3,240	-	-	-	-	3,240
1151000100	Conference Center Renovations	694,319	155,402	-	155,402	28,821	510,097
1151300100	Enterprise Wide Tech Improvements	9,369	-	-	-	9,369	9,369
1152100100	Replacement of Network Equipment	140,000	-	116,626	116,626	23,374	13,661
1171900100	Social Services Carpet and Workstations Replacement	1,060,000	978,410	-	978,410	81,590	81,590
1181000100	Greenbrier Gateway Signage	250,000	-	-	-	250,000	250,000
1181200100	Municipal District - Greenbrier TIF	11,369	-	-	-	11,369	11,369
1181300100	Greenbrier TIF - Woodlake Drive Expansion	10,615,970	6,507,069	6,569	6,513,638	-	4,102,332
1191200100	South Norfolk TIF - Poindexter Street Scape	248,127	10,275	13,748	24,023	-	224,104
1201000100	Greenbrier Center Pedestrian Safety	1,310,238	-	80,920	80,920	-	1,229,318
1201200100	South Norfolk TIF - Library Expansion	61,992	8,862	-	8,862	10,891	42,239
1201900100	Case Mgmt Software-City Attny & Comm Attny	10,539	-	-	-	10,539	-
1201900100	Case Mgmt Software-City Attny & Comm Attny	150,638	-	-	-	-	150,638
1211200100	22nd Street Bridge Replacement	18,349,300	1,061,733	756,037	1,817,770	279,761	16,251,769
1212000100	ADA Door & Restroom Retrofits at Various Facilities - Ph I	440,000	1,819	49,861	51,680	41,642	346,679
1221000100	EMS Field Data Collection and Billing System	27,521	-	-	-	-	27,521
1271600100	PeopleTools Upgrade Comp IRS	703,265	546,246	-	546,246	19,166	137,853
1281500100	Mainframe Migration Project Phase I	5,500,000	5,500,000	-	5,500,000	-	-
1281600100	Voting Equipment Replacement	335	-	-	-	335	335
1411300100	Risk Management Software I	208,745	74,575	-	74,575	108,857	25,312
1441300100	Fast Payback Energy Conservation	1,300,000	783,576	103,645	887,221	22,003	390,777
1451300100	Circuit Court Clerk Security and Document Preservation	1,524	-	-	-	-	1,524
1452000100	22nd Street Commercial Site Preparation	50,000	35,202	-	35,202	6,699	8,100
1482000100	SoNo Municipal Facility Development Strategy	125,000	-	-	-	-	125,000
1491700100	Street Light Improvements - South Norfolk TIF	296,400	249,880	-	249,880	29,339	17,181
1561700100	Electronic Plan & Permitting System	1,359,390	26,102	698,267	724,368	30,467	604,555
1611200100	Municipal Center Parking Lots / Sidewalks	776,932	776,932	-	776,932	-	-
1621200100	Commerce Park	2,434,565	752,845	81,567	834,412	69,158	1,530,995
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
General Government, continued:							
1621210100 Greenbrier Circle Access Road	\$ 800,000	407,057	16,540	423,596	376,404	17,163	359,240
1631210100 Elizabeth River Landing Park	40,904	-	-	-	40,904	-	40,904
1631210100 Elizabeth River Landing Park	4,344,097	4,344,097	-	4,344,097	-	-	- *
1911200100 Personal Property System Rewrite	700,000	700,000	-	700,000	-	-	-
1921200100 Human Resource/Payroll System	4,666	-	-	-	4,666	-	4,666
1981200100 Community Revitalization	492,404	-	-	-	492,404	-	492,404
1981200100 Community Revitalization	873,956	813,956	-	813,956	60,000	-	60,000 *
Total General Government	127,376,288	44,654,867	11,057,885	55,712,752	71,663,536	8,274,603	63,388,933
Department of Public Safety:							
1011900200 Replace Cooling Towers - Courts, Public Safety, & Jail	598,499	-	598,499	598,499	-	-	-
1040900200 Grade Crossing Safety & Intersection	148,779	2,632	-	2,632	146,147	-	146,147
1041800200 Jail Expansion to Address Overcrowding	29,048,877	2,065,664	8,036,344	10,102,008	18,946,869	12,564,305	6,382,564
1061100200 Land Acquisition - Fire Station #10 / Police Precinct #6	540	-	-	-	540	-	540
1071100200 Fire Station #10 - Design	9,700,000	806,636	208,174	1,014,810	8,685,190	259,350	8,425,840
1072100200 CAD Sheriff/Police Interface	545,000	-	350,039	350,039	194,961	179,269	15,692
1101600200 Combined Fire Station #7/Police Precinct #6	7,259,441	358,678	125,823	484,502	6,774,939	130,873	6,644,066
1131100200 Self Contained Breathing Apparatus	620	-	-	-	620	-	620
1152000200 Biomedical Equipment	2,811	-	-	-	2,811	-	2,811
1152000200 Biomedical Equipment	401,182	401,182	-	401,182	-	-	- *
1162100200 Sheriff Automated Rounds Software	200,000	-	-	-	200,000	-	200,000
1172000200 Fire Alarm and Public Address System	150,000	-	4,869	4,869	145,131	5,996	139,135
1182000200 Precinct Security Camera System Upgrades	26,748	-	10,968	10,968	15,780	15,780	-
1212100200 Jail Intercom System Digital Conversion	470,000	-	-	-	470,000	470,000	-
1222100200 Jail Kitchen Equipment Replacement	76,000	-	-	-	76,000	-	76,000
1232100200 Jail Laundry Equipment Replacement	145,000	-	-	-	145,000	-	145,000
1241000200 Public Safety Facility Design	879,225	-	-	-	879,225	-	879,225
1242100200 Jail PLC System Replacement & Upgrade	377,000	-	10,902	10,902	366,098	230,000	136,098
1251500200 Restroom Renovations Firestation #13	505,275	452,634	12,929	465,563	39,712	1,587	38,125
1252100200 Jail Surveillance System Digital Conversion & Additional Car	75,000	-	-	-	75,000	-	75,000
1251900200 Diesel Exhaust Extraction Systems	2	-	-	-	2	-	2
1261900200 Emergency Vehicle Storage Facility	612,400	-	-	-	612,400	-	612,400
1262100200 Jail and Sheriff HQ Renewal and Replacements	370,000	-	131,797	131,797	238,203	66,960	171,243
1271900200 Deep Creek Fire Station #8 - Relocate	640,464	-	214,284	214,284	426,180	406,299	19,881
1272100200 Police Command Bus Replacement	303,077	-	-	-	303,077	-	303,077
1331900200 HR Regional Jail Authority Participation	3,000,000	2,000,000	1,000,000	3,000,000	-	-	- *
1371400200 Animal Services Facility	1,387,833	596,935	(24,686)	572,250	815,583	569,356	246,227
1381400200 Public Safety Site Remediation / Turn Lane Construction	708,288	-	-	-	708,288	-	708,288
1391400200 Public Safety Headquarters EOC/EDC Phase I	36,707,586	14,333,841	13,133,768	27,467,609	9,239,977	5,307,874	3,932,103
1391400200 Public Safety Headquarters EOC/EDC Phase I	335,041	-	335,041	335,041	-	-	- *
1392000200 Fire Vehicle Replacement	855,914	-	697,322	697,322	158,592	47,357	111,235
1392000200 Fire Vehicle Replacement	644,086	603,751	40,335	644,086	-	-	- *
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Safety continued:							
1591200200 Jail Phase II - Design	\$ 434,241	10,000	10,800	20,800	413,441	-	413,441
1991200200 Sheriff Work Release Equipment	13,005	-	-	-	13,005	-	13,005
Total Department of Public Safety	96,621,934	21,631,955	24,897,207	46,529,162	50,092,772	20,255,007	29,837,765
Department of Public Works:							
1020720300 Gilmerton Bridge Repairs II	200,487	-	-	-	200,487	-	200,487
1020720300 Gilmerton Bridge Repairs II	9,925	9,925	-	9,925	-	-	- *
1021900300 Bruce Road Safety Improvements	1,285,000	62,133	83,164	145,296	1,139,704	49,589	1,090,114
1031200300 Grade Crossing Safety Program II	200,000	-	-	-	200,000	-	200,000
1031900300 Centerville Bridge Rehabilitation	3,566,000	405,039	74,000	479,039	3,086,961	723,770	2,363,191
1040900300 Grade Crossing Safety Program	83,477	-	-	-	83,477	-	83,477
1041200300 Repairs and Maintenance Roads / Bridges	3,417	-	-	-	3,417	-	3,417
1050900300 Smart Traffic Center Phase 2	31,333	-	-	-	31,333	-	31,333
1051100300 George Washington Highway Right of Way Acquisition	37,038	-	-	-	37,038	-	37,038
1061900300 Military Hwy & Smith Ave Intersection Improvements	722,470	59,649	117	59,766	662,704	578,994	83,710
1071900300 Residential Street Repaving	4,175,720	-	-	-	4,175,720	-	4,175,720
1071900300 Residential Street Repaving	1,974,280	1,735,717	238,563	1,974,280	-	-	- *
1081800300 DC A1W Bridge ROW Preservation	1,500,000	1,169,104	55,996	1,225,100	274,900	-	274,900
1091800300 Freeman Ave Railroad Overpass	3,360	-	-	-	3,360	-	3,360
1091800300 Freeman Ave Railroad Overpass	71,640	71,640	-	71,640	-	-	- *
1131500300 Elbow Road Safety Improvements	103,563	38,798	-	38,798	64,765	-	64,765
1131800300 Mullen Rd / Jones Lane Connector	2,000,000	484,862	683,360	1,168,222	831,778	374,899	456,879
1141500300 Elbow Road Phase I	2,022,016	739,593	666,666	1,406,260	615,756	297	615,460
1151500300 Bruce Road/Taylor Road Right Turn Lane	9,901	-	-	-	9,901	-	9,901
1161500300 Military Highway S at Baugher Avenue	231,618	107,519	-	107,519	124,099	-	124,099
1171300300 Repair & Maintenance Roads/Bridges II	198,099	44,421	15,325	59,746	138,353	-	138,353
1171500300 Military Highway S at State Street	432,907	227,633	-	227,633	205,274	-	205,274
1200510300 Gum Road Multi-Use Path	357,478	97,652	65,391	163,043	194,435	-	194,435
1210820300 Traffic Signals and Intersection Improvements	225,592	17,301	96,821	114,123	111,469	-	111,469
1210820300 Traffic Signals and Intersection Improvements	391	391	-	391	-	-	- *
1211000300 Great Dismal Swamp Trail Phase I	2,746,200	2,385,789	11,459	2,397,248	348,952	132	348,820
1222000300 Benefit Road Ditch and Shoulder Improvements	284,100	-	7,753	7,753	276,347	4,975	271,372
1232000300 Right Turn Lane Ext: Battlefield Blvd at Hickory High	100,000	-	-	-	100,000	-	100,000
1241500300 George Washington Highway Improvement	36,080	-	-	-	36,080	-	36,080
1270710300 Master Drainage Improvement II	1,670,708	1,332,186	-	1,332,186	338,521	-	338,521
1301600300 Jerome St Outfall Drain Improvement	11,657	-	-	-	11,657	-	11,657
1311600300 Traffic Signals Improvements S. Military	27,664	21,017	-	21,017	6,647	-	6,647
1321500300 Safe Roads to School Program	45,694	-	-	-	45,694	-	45,694
1341100300 Various Drainage Improvements	44,490	-	-	-	44,490	-	44,490
1341900300 Public Works Building Replacement - 925 Executive Blvd	332,378	41,732	38,400	80,132	252,246	17,067	235,179
1351000300 Portsmouth Boulevard Phase 4	21,580,000	6,778,295	2,471,026	9,249,321	12,330,679	6,628,895	5,701,784
1361000300 Hanbury-Battlefield Intersection & Ramp	41,086	-	-	-	41,086	-	41,086
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year			
General construction projects, continued:						
Department of Public Works, continued:						
1362100300	Mt. Pleasant Rd. Widening	\$ 800,000	-	-	-	800,000
1372100300	Repair & Maintenance Roads and Bridges Phase IV	460,000	-	236,945	-	223,055
1380610300	Repairs and Maintenance Roads/Bridges	1,993	-	1,205	-	789
1382100300	Right Turn Lane and Signal Modification: Woodlake Dr.	300,000	-	-	-	300,000
1392100300	Traffic Signal and Intersection Improvements: Butts Station R	420,000	-	-	-	420,000
1401400300	Community Rating System	16,519	-	-	-	16,519
1412000300	VDOT Paving Debaun Ave. to Campostella Rd.	195,506	-	-	-	195,506
1412000300	VDOT Paving Debaun Ave. to Campostella Rd.	506,494	459,229	47,265	-	- *
1412100300	Rural Roads Safety Improvement Program	1,000,000	-	-	-	1,000,000
1422000300	Military Highway at Galberry Rd. Right Turn Lane	125,000	-	118,462	-	6,538
1422100300	VDOT Primary Extension Military Hwy W	1,000,000	-	497,612	502,388	-
1432000300	Ballahack Boat Ramp Area Improvements	359,791	-	395	-	359,396
14414003ES	Dismal Swamp Canal Trail - ARRA	40,611	-	-	-	40,611
1441700300	Centerville Bridge Super Structure Repairs	150,000	-	-	-	150,000
1442000300	VDOT Resurfacing Atlantic Ave. and Airline Blvd.	383,803	-	-	-	383,803
1442000300	VDOT Resurfacing Atlantic Ave. and Airline Blvd.	616,198	603,246	12,952	-	- *
1451700300	Sunray Overpass Rehabilitation	1,536,000	219,747	-	-	1,316,253
1461700300	Triple Decker Bridge Rehabilitation	1,120,000	197,098	539,391	7,178	376,333
1471700300	US Route 17 South of Cedar Road	20,227,309	7,183,431	5,811,655	876,824	6,355,399
1471700300	US Route 17 South of Cedar Road	144,691	144,691	-	-	- *
1481700300	South Norfolk Railroad Crossings	398,364	127,514	6,912	217,711	46,228
1511700300	Emergency Vehicle Pre-Emption Devices	22,241	-	-	-	22,241
1541700300	Traffic Management Center and System Addition	2,650,697	362,002	1,831,365	282,608	174,721
1641200300	Hudgins Bridge Replacement	2,885	-	-	-	2,885
1671210300	Traffic Signal / Intersection Improvement	130,974	-	14,601	-	116,373
1671210300	Traffic Signal / Intersection Improvement	883,834	881,613	2,221	-	- *
1881200300	Bells Mill Bridge Replacement	2,104	-	-	-	2,104
Total Department of Public Works		79,860,781	26,010,173	13,627,817	10,297,522	29,925,269
Department of Parks and Recreation:						
1041900400	Conference Center Roof Replacement	968,000	914,575	53,425	-	- *
1041100400	Demolition of Camp 22 Buildings	22,672	-	-	22,672	22,672
1061800400	Open Space Park Improvements	371	-	-	371	371
1091600400	General Improve CommCtr/Parks	458,424	449,916	8,508	-	- *
1161300400	Deep Creek Park	3	-	-	-	3
1161300400	Deep Creek Park	14,977	14,977	-	-	- *
1161900400	Athletic Field Improvements	611,714	611,714	-	-	- *
1161910400	Athletic Field Improvements	160,823	-	132,390	28,433	4,646
1161910400	Athletic Field Improvements	219,998	-	219,998	-	- *
1170500400	Parks Land Acquisition	143,103	200	200	142,903	142,903
1181920400	Park Program Improvements	67,788	-	-	57,808	9,980
1181920400	Park Program Improvements	232,803	-	232,803	-	- *
(Continued)						

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year				
General construction projects, continued:							
Department of Parks and Recreation, continued:							
1182100400	Commonwealth/Seaboard Multi-City Rail Trail	\$	-	-	300,000	-	300,000
1191900400	Facility Improvements on Recreational Buildings	475,184	453,114	475,184	-	-	- *
1191920400	Facility Improvements on Recreational Buildings	85,711	-	48,331	37,380	35,880	1,500
1191920400	Facility Improvements on Recreational Buildings	288,420	-	288,420	-	-	- *
1192100400	Dismal Swamp Canal Trail Phase III (Renovation, Restroom, ...)	353,791	-	-	353,791	-	353,791
1211900400	Parking Lot Improvements	161,899	157,457	161,899	-	-	- *
1211910400	Parking Lot Improvements	108,101	-	-	108,101	-	108,101
1221200400	Johnson Park Improvements	245,397	18,747	18,747	226,650	-	226,650
1221900400	ADA Facility Compliance	100,650	92,150	100,650	-	-	- *
1221910400	ADA Facility Compliance	77,579	-	25,171	52,408	52,312	96
1231900400	Oak Grove Lake Park Additional Parking	60,000	-	-	60,000	-	60,000
1241900400	Security Improvements	79,039	73,073	79,039	-	-	- *
1241910400	Security Improvements Parks & Recreation	569	-	-	569	-	569
1241910400	Security Improvements Parks & Recreation	40,392	-	40,392	-	-	- *
1260700400	Battlefield Visitor Center	5,114,750	2,071,241	2,081,030	3,033,720	77,361	2,956,359
1271110400	Park Shelters & Playgrounds	910	-	-	910	-	910
1271110400	Park Shelters & Playgrounds	97,107	95,053	97,107	-	-	- *
1301500400	Cascade Blvd. Park Lighting	27,505	-	11,602	15,904	-	15,904
1311500400	SoNo Armory Demolition	3,145	-	-	3,145	-	3,145
1311510400	SoNo Pedestrian Beacon Lighting	22,550	-	-	22,550	-	22,550
1321600400	City Park Improvements	2,695	-	-	2,695	-	2,695
1340600400	New Park Development - Open Space	144	-	-	144	-	144
1340600400	New Park Development - Open Space	3,181	12	3,181	-	-	- *
1451400400	Northwest River Renovations	8	-	-	8	-	8
1451400400	Northwest River Renovations	158,513	152,003	158,513	-	-	- *
1461400400	Centerville Park Upgrade	17,006	-	-	17,006	-	17,006
1472000400	Open Space and Recreation Funded Projects	751,680	-	-	751,680	-	751,680
1472000400	Open Space and Recreation Funded Projects	1,183,320	693,320	1,183,320	-	-	- *
1841200400	Park Improvements	29,003	29,003	29,003	-	-	- *
1961200400	Camelot Community Center	13,734	-	-	13,734	-	13,734
Total Department of Parks and Recreation		12,702,657	5,826,555	7,440,093	5,262,564	247,149	5,015,415
Department of Public Welfare:							
1012100500	CIBH - Parking Addition	350,000	-	12,320	337,680	-	337,680
1141900500	Psychosocial Support Building Expansion	500,000	65,969	132,516	367,485	1,246	366,238
1151900500	Intellectual Disability Support Building Renovation	265,100	-	-	265,100	-	265,100
Total Department of Public Welfare		1,115,100	65,969	144,836	970,264	1,246	969,018
(Continued)							

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenditures		Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year			
General construction projects, continued:						
Department of Libraries:						
1012001000 Library Bookmobile Replacement	\$ 5,446	-	3,248	2,198	-	2,198
1012001000 Library Bookmobile Replacement	158,354	-	158,354	-	-	- *
1022101000 Library Customer Service Desk Replacements	104,500	-	-	104,500	-	104,500
1032101000 Library Russell Memorial Parking Addition	500,000	-	-	500,000	-	500,000
1081401000 Library Renewal/Replacement Profiler	169,105	-	-	169,105	-	169,105
1082001000 Library Tablet Lending System	30,000	-	15,000	15,000	15,000	-
1092001000 Library - Virtual Desktop Infrastructure Expansion	1,109	-	-	1,109	-	1,109
1092001000 Library - Virtual Desktop Infrastructure Expansion	76,245	-	76,245	-	-	- *
1121901000 Library Automated Materials Handling System	8,749	-	5,732	3,017	-	3,017
1131901000 Library Technology Upgrade/Replacement Phase II	27,786	-	-	27,786	-	27,786
1131901000 Library Technology Upgrade/Replacement Phase II	89,761	24,946	64,815	89,761	-	- *
1551701000 Library Children's Room Renovations	3,546	-	-	3,546	-	3,546
Total Department of Libraries	1,174,600	24,946	323,394	348,340	15,000	811,260
Total General construction projects	318,851,360	98,214,465	51,598,708	149,813,173	39,090,527	129,947,660
School capital projects:						
9050326650 Grassfield High School	221	-	-	221	-	221
Total school capital projects	221	-	-	221	-	221
Lease revenue bonds						
6945020196 Trustee - Courthouse	n/a	92	-	92	(92)	(92)
Total lease revenue bonds	n/a	92	-	92	(92)	(92)
Supplemental agreements (trustee)						
6945030197 Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	(2,211,316)	(2,211,316)
Total Supplemental agreements (trustee)	n/a	2,211,316	-	2,211,316	(2,211,316)	(2,211,316)
Total expenditures and encumbrances	318,851,581	100,425,873	51,598,708	152,024,581	166,827,000	127,736,473
Less completed projects	28,003,888			27,468,709		
Construction in progress	\$ 290,847,693			124,555,872		

* Completed Projects

n/a - not applicable

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-2

Public Utilities Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project		Appropriations			Expenses		Total	Unexpended	Encumbrances	Unencumbered
		\$	Prior	Current						
1010900800	Northwest River WTP Misc Modifications	122,379	-	-	-	-	122,379	-	-	122,379
1010900800	Northwest River WTP Misc Modifications	116,900	-	116,900	-	-	-	-	-	- *
1011500800	PW/PU Operations Facilities Relocation Ph I	4,000,000	121,262	-	-	-	3,878,738	-	-	3,878,738
1041400800	Sewer System Repairs Ph II	11,905	-	-	-	-	11,905	-	-	11,905
1041400800	Sewer System Repairs Ph II	232,706	132,415	100,291	-	-	232,706	-	-	- *
1051800800	Sewer Renewal - Add'l Consent Order Capital Requirement	200,000	-	-	-	-	200,000	-	-	200,000
1051810800	Sewer Renewal - Add'l Consent Order - Cloverdale	1,512,749	-	-	-	-	1,512,749	-	-	1,512,749
1051820800	Sewer Renewal - Add'l Consent Order - Decatur	1,548,860	-	-	-	-	1,548,860	-	-	1,548,860
1051830800	Sewer Renewal - Add'l Consent Order - Virginia Avenue	1,000,000	-	39,723	-	-	960,277	44,643	-	915,634
1051900800	Oakgrove Elevated Tank Standpipe Replacement	200,000	26,425	1,945	-	-	171,630	22,075	-	149,555
1061000800	Force Main Upgrade - Greenbrier Parkway	1,300,389	43,100	4,798	-	-	47,898	1,252,491	43,533	1,208,958
1121600800	Bainbridge Blvd Tank Renovation	1,199,997	1,036,461	102,281	-	-	1,138,741	61,256	52,068	9,188
1131600800	Sewer Management Operations and Maintenance	1,393,545	-	209,768	-	-	209,768	1,183,777	-	1,183,777
1131600800	Sewer Management Operations and Maintenance	1,606,455	522,217	1,084,238	-	-	1,606,455	-	-	- *
1141600800	Water Renewal & Waterline Upgrade - Ph II	1,500,000	-	236,009	-	-	236,009	1,263,992	37,722	1,226,270
1151700800	Sewer Renewal - 18th Street	736,270	-	-	-	-	736,270	-	-	736,270
1171400800	Red Top Tank and Raw Water Pump Station	5,371,370	1,772,479	1,917,851	-	-	3,690,330	1,681,040	161,596	1,519,444
1181500800	Maintenance & Operation Equipment Replacement	39,500	2,474	37,026	-	-	39,500	-	-	- *
1181700800	Sewer Renewal - Chesapeake Ave - Guerriere to Ohio Sewer	288,823	-	-	-	-	-	288,823	-	288,823
1191300800	Northwest River WTP Misc Modifications	1,937,868	70,540	1,108,101	-	-	1,178,640	759,227	-	759,227
1191300800	Northwest River WTP Misc Modifications	5,237,132	5,235,247	1,885	-	-	5,237,132	-	-	- *
1191700800	Crestwood Sewer Ph I	2,138,334	2,138,334	-	-	-	2,138,334	-	-	- *
1201700800	Crestwood Sewer Ph II (PS #931)	2,831,535	233,473	319,155	-	-	552,629	2,278,906	1,160,130	1,118,776
1211400800	Battlefield to Centerville Water Main Ph I	5,205,689	432,211	79,478	-	-	511,689	4,694,000	103,236	4,590,764
1211700800	Crestwood Sewer Ph III (PS #12)	1,600,364	155,649	197,960	-	-	353,608	1,246,756	639,421	607,334
1221400800	Battlefield to Centerville Water Main Ph II	4,164,000	339,558	9,154	-	-	348,713	3,815,287	102,890	3,712,397
1241200800	Water System Renewal	893,000	442,577	65,095	-	-	507,672	385,328	-	385,328
1241300800	Asset Management System	2,232	2,232	-	-	-	2,232	-	-	-
1242000800	Water Renewal - Buchanan Street	256,870	-	-	-	-	-	256,870	-	256,870
1251300800	Generator Replacement Program	7,351	7,351	-	-	-	7,351	-	-	- *
1252000800	Unserved Areas/Cost Participation - Phase II	250,000	-	-	-	-	-	250,000	-	250,000
1261700800	Sewer Renewal - Liberty Street (500 Block to Collingswood)	1,519,126	-	190,682	-	-	190,682	1,328,444	120,246	1,208,198
1262000800	Water Control Laboratory - Upgrade HVAC	480,000	-	20,690	-	-	20,690	459,310	-	459,310
1271200800	Sanitary Sewer Evaluation	8,545,080	6,766,271	22,317	-	-	6,788,588	1,756,492	261,402	1,495,091
1272000800	Water Treatment Plant Control System Upgrade	820,000	-	663,696	-	-	663,696	156,304	-	156,304
1281700800	Manhole Rehabilitation - 1709 vertical ft	832,167	100,715	82,255	-	-	182,970	649,197	-	649,197
1281700800	Manhole Rehabilitation - 1709 vertical ft	40,703	-	40,703	-	-	40,703	-	-	- *
1290500800	Jolliff Road Waterline Ph II	653,800	19	-	-	-	19	653,781	-	653,781
1291700800	Melton Street Sewer Renewal	247,160	42,639	138,981	-	-	181,620	65,540	24,204	41,337
1301210800	Sewer Renewal - Manhold Inserts	217	-	217	-	-	217	-	-	- *
1302000800	Northwest River WTP Replace Bulk Chemical Storage Tanks	1,200,000	-	231,449	-	-	231,449	968,551	14,083	954,468
1311200800	Sewer System Repair	95,645	20,441	4,350	-	-	24,791	70,854	-	70,854
1311200800	Sewer System Repair	1,600,131	1,600,131	-	-	-	1,600,131	-	-	- *

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Public Utilities Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2017

Project		Expenses				Unexpended	Encumbrances	Unencumbered
		Appropriations	Prior	Current	Total			
1321200800	Sewer Renewal - SSES Ph I	\$ 2,421,263	160,912	45,973	206,884	2,214,378	74,090	2,140,288
1321200800	Sewer Renewal - SSES Ph I	902,731	902,731	-	902,731	-	-	- *
1322100800	Water & Sewer Pump Station Telemetry Installation and Upgrade	400,000.00	-	31,520.00	31,520	368,480	311,340	57,140
1331200800	Sewer Renewal - SSES Ph II	2,883,742.00	176,960.00	287,640.00	464,600	2,419,142	209,393	2,209,749
1332100800	Water System Planning and Upgrades	400,000	-	-	-	400,000	-	400,000
1341200800	Customer Service Billing System	5,900,000	4,710,239	180,842	4,891,080	1,008,920	89,756	919,164
1342000800	Force Main Replacement - Dominion Blvd. and I-64	3,000,000	-	-	-	3,000,000	-	3,000,000
1351700800	Service Area Gravity Sewer	4,672,978	218,542	165,645	384,187	4,288,791	232,567	4,056,224
1352000800	Sewer Pump Station Safety Improvements	1,000,000	-	59,723	59,723	940,277	190,718	749,559
1372000800	Lake Gaston WTP Miscellaneous Modifications	2,370,000	78,214	398,894	477,108	1,892,892	293,509	1,599,384
1381200800	Military Highway 36" Water Main	3,950,000	254,623	9,940	264,563	3,685,437	136,090	3,549,347
1382000800	Lake Gaston Water Treatment Plant Expansion	1,000,000	-	107,827	107,827	892,173	11,981	880,192
1391200800	Raw Water Transmission Main	15,575,000	14,277,048	24,658	14,301,707	1,273,293	799,434	473,859
1401300800	Murray Dr/Whittamore Rd Water	6,000,000	4,563,077	-	4,563,077	1,436,923	-	1,436,923
1421700800	Sewer Renewal: Westwood Ave. and Redstart Ave.	1,106,000	-	92,354	92,354	1,013,646	87,578	926,068
1451200800	South Norfolk Improvements	2,850,000	849,305	-	849,305	2,000,695	109,798	1,890,896
1471200800	Western Branch Interconnect to Lake Gaston WTP	8,298,000	1,638,033	100,800	1,738,833	6,559,167	557,450	6,001,717
1501210800	Laboratory Equipment Replacement	123,708	123,708	-	123,708	-	-	-
1511280800	Unserved Areas - Manning, Wampler & Vico	3,395,186	127,951	114,709	242,659	3,152,527	1,823,728	1,328,799
1511290800	Unserved Areas - Battlewood Meadows	6,654,774	279,086	191,868	470,954	6,183,820	176,329	6,007,492
1531200800	Replace Meter Reading Equip	1,399,623	51,198	-	51,198	1,348,426	-	1,348,426
1541200800	30" Raw Water Main	4,489,232	1,730,895	288,671	2,019,566	2,469,666	596,008	1,873,658
1711200800	Water Renewal - Water Line Upgrade	1,733,524	-	145,576	145,576	1,587,948	-	1,587,948
1711200800	Water Renewal - Water Line Upgrade	297,034	297,034	-	297,034	-	-	- *
Total project expenses and encumbrances		143,763,047	51,683,777	9,273,635	60,957,412	82,805,635	8,487,017	74,318,618
Less completed projects		12,219,195			12,219,195			
Construction in progress - construction		131,543,852			48,738,217			
Capitalized interest expenses			7,933,728	2,011,572	9,945,300			
Less closed capitalized interest					1,189,682			
Construction in progress - capitalized interest					8,755,618			
Total construction in progress		\$			57,493,835			

* Completed Projects

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CITY OF CHESAPEAKE, VIRGINIA

Schedule O-3

Chesapeake Transportation System Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenses			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
1230600300 Rt. 17/Steel Bridge/Dominion Boulevard	\$ 33,528,762	-	10,275		10,275	33,518,487	3,289,600	30,228,887
1230600300 Rt. 17/Steel Bridge/Dominion Boulevard	325,567,112	296,694,018	19,947,294		316,641,312	8,925,800	-	8,925,800 *
1230610300 Dominion Blvd Wetland Mitigation	594,000	-	-		-	594,000	-	594,000
1230620300 Dominion Blue Star Memorial	1,000	-	1,000		1,000	-	-	- *
1261610300 Chesapeake Expressway Repairs	229,018	-	-		-	229,018	-	229,018
1261610300 Chesapeake Expressway Repairs	277,399	-	277,399		277,399	-	78,448	(78,448) *
1261620300 Chesapeake Expressway Repairs	399,306	-	-		-	399,306	-	399,306
1261620300 Chesapeake Expressway Repairs	36,757	-	36,757		36,757	-	-	- *
1261630300 Chesapeake Expressway Repairs	86,303	-	-		-	86,303	-	86,303
1350900300 Rt. 17 Financing Study	1,751,791	1,731,772	-		1,731,772	20,019	-	20,019
1352100300 Chesapeake Transportation System Renewals - Phase II	883,000	-	-		-	883,000	-	883,000
1462000300 Expressway Admin Building Modifications	350,000	48,449	-		48,449	301,551	27,064	274,487
Total expenses and encumbrances	363,704,446	298,474,239	20,272,724		318,746,963	44,957,483	3,395,112	41,562,371
Less completed projects	325,882,267				316,956,467			
Construction in progress - construction	37,822,179				1,790,496			
Capitalized interest expenses		30,177,601	7,228,609		37,406,210			
Less closed capitalized interest					37,406,210			
Construction in progress - capitalized interest					-			
Total construction in progress	\$				1,790,496			

* Completed Projects

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-4

Stormwater Management Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenses		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
1010400900	\$ Sunray Drainage Outfall	48,809	-	48,809	-	-	- *
1010700900	Green Meadow Point	87,000	-	-	87,000	-	87,000
1010800300	Camelot Outfall Drainage Improvement	57,002	-	-	57,002	-	57,002
1011000300	Dunedin Area Drainage Improvement	125,835	-	-	125,835	-	125,835
1011100300	Halifax Street Outfall Improvement	2,416,123	-	-	1,156,512	-	1,156,512
1020800900	Campostella Road Culvert & Ditch	187,704	5,687	1,259,611	187,704	-	187,704
1021300900	Chesapeake Drive Drainage Improvements	880,000	-	-	843,684	-	843,684
1031600900	Citywide outfall Regrading & Restoration	1,020,000	2,670	36,316	366,910	-	366,910
1040800300	Citywide Undesignated Drainage	207,188	468,627	653,090	1,285	-	-
1040810300	Citywide Undesignated Drainage - West Munden	225,000	66,707	205,903	1,285	1,285	-
1041000900	Cooper's Ditch Dredging	2,000,000	622,912	825,633	154,832	-	154,832
1041300900	D Street Drainage Improvements	370,000	-	-	1,174,367	637,092	537,275
1051210300	Neighborhood Drainage Improvements	2,221,983	311,772	1,932,331	370,000	-	370,000
1051220300	Neighborhood Drainage Improvements	287,285	58,500	58,500	289,652	121,346	168,306
1051400900	VPDES Compliance	6,747,033	288,152	632,750	228,785	42,500	186,285
1061200900	Stormwater Mapping & Master Drainage Plan	1,000,000	59,269	614,607	6,114,283	225,829	5,888,454
1061300300	Homemont Area Drainage	994,667	-	-	385,393	157,555	227,838
1061400900	Border Road Area Drain Improvement	1,200,000	116,506	400,262	994,667	-	994,667
1061500900	Ahoy/Acres/HollyCove System Replacement	1,300,000	80,953	1,187,930	799,738	26,656	773,082
1071300900	Lamberts Trail Area Drain Improvement	2,100,000	31,612	31,756	112,070	-	112,070
1071400900	MoneyPoint Area BMP & Drainage Improvements	85,061	-	-	2,068,244	-	2,068,244
1071500900	Citywide Undesignated Drainage Phase III	556,347	402,418	539,133	85,061	-	85,061
1071800900	Major Equipment Purchases	1,367,428	-	-	17,214	4,036	13,178
1071800900	Major Equipment Purchases	32,556	32,556	32,556	1,367,428	-	1,367,428
1081500900	Neighborhood Drainage Improvements II	2,324,600	-	-	-	-	- *
1091300900	Prince Edwards Drive Outfall Improvement	600,000	12,385	13,585	2,324,600	-	2,324,600
1091500900	Oakdale Area BMP and Drainage Improvements	500,000	-	-	586,415	224,885	361,530
1101300900	Royce Drive Drainage Improvements	550,000	-	-	500,000	-	500,000
1101500900	Stormwater Mapping & Master Drainage Plan III	500,000	-	-	550,000	-	550,000
1111300900	Shorewood Area Drainage Improvement	540,000	825	825	499,175	-	499,175
1111500900	Stormwater Quality Program Phase II	2,340,565	165,394	165,394	374,606	-	374,606
1121200900	Yadkin Rd BMP	1,262,902	228,287	309,621	2,030,944	269,586	1,761,358
1121500900	Yadkin Rd BMP & Drainage Improvements Phase III	129,468	-	-	100,519	-	100,519
1131300900	Sunray Area Outfall Re-Grading	1,192,211	-	-	129,468	-	129,468
1131300900	Whittamore Rd. Outfall Improvements	7,789	-	-	1,192,211	-	1,192,211
1202000900	Master Drainage Improvements II	300,000	-	-	-	-	- *
1402100900	Citywide System Rehab	1,908,000	41,604	41,604	300,000	-	300,000
1431700900	Colony Manor Outfall Improvements	1,900,000	800	143,530	1,866,396	33,364	1,833,032
1721200900	BMP Restoration Citywide	415,000	21,099	21,099	1,756,470	-	1,756,470
1731200900		1,700,000	15,819	381,180	393,901	4,304	389,597
					1,318,820	-	1,318,820

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-4, Continued

Stormwater Management Capital Projects Fund
Schedule of Expenses and Encumbrances - Budget and Actual
Year Ended June 30, 2017

Project	Appropriations	Expenses			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
1741200300 Murray Dr./Greenhaven Area Improvement	\$ 7,993	-	-	-	7,993	-	7,993
1741200300 Murray Dr./Greenhaven Area Improvement	21,100	21,100	-	21,100	-	-	- *
1751200300 Partridge/Cloverdale Area Improvements	290,544	-	-	-	290,544	-	290,544
1761200300 Scenic Blvd Improvements	260,000	-	-	-	260,000	-	260,000
1771200900 Shillelagh Road Drainage Outfall Improvement	3,100,000	-	20,581	20,581	3,079,419	-	3,079,419
1781200300 Shillelagh Roadside Ditch Improvements	32,502	-	32,502	32,502	-	-	-
1801200900 Washington Manor Drainage Outfall Improvements	2,305,814	1,291,499	931,268	2,222,767	83,047	32,884	50,163
Total expenses and encumbrances	47,705,509	9,054,408	4,018,904	13,073,312	34,632,197	1,781,322	32,850,875
Less completed projects	110,253			110,253			
Construction in progress	\$ 47,595,256			12,963,059			

* Completed Projects

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Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Permanent Funds:

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



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Integrated Behavioral Healthcare
ASSETS				
Cash and temporary investments	\$ 19,029,755	7,434,771	5,401,399	11,235,971
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	484,422	72,216
Federal government	-	-	950,777	-
Receivables:				
Accounts receivable	-	-	747	4,463,156
Interest receivable	-	-	-	-
Other	-	-	1,244	-
Allowance for uncollectible amounts	-	-	-	(2,552,634)
Inventory of materials and supplies	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	\$ 19,029,755	7,434,771	6,838,589	13,218,709
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	-	45,083	1,565,190
Accrued expenditures	-	-	261,504	287,893
Unearned revenue	-	-	-	-
Other liabilities	-	-	1,792	1,067
Due to Commonwealth of Virginia	-	-	142	-
Due to other funds	-	-	-	-
Total liabilities	-	-	308,521	1,854,150
Fund Balances				
Nonspendable	-	-	-	-
Restricted	19,029,755	7,434,771	-	6,560,826
Committed	-	-	204,258	159,578
Assigned	-	-	6,325,810	4,644,155
Total fund balances	19,029,755	7,434,771	6,530,068	11,364,559
Total liabilities and fund balances	\$ 19,029,755	7,434,771	6,838,589	13,218,709

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Fee Supported Activities	Subtotal
4,616,456	2,796,415	645,415	4,233,639	1,370,499	56,764,320
-	1,350	744,817	-	-	1,302,805
-	-	-	-	-	950,777
7,281	252,899	5,602	118,566	938,064	5,786,315
-	-	-	-	-	-
479,858	2,904	-	-	-	484,006
-	-	-	-	(732,338)	(3,284,972)
2,771	-	-	-	-	2,771
171,664	-	-	-	-	171,664
-	-	-	-	-	-
5,278,030	3,053,568	1,395,834	4,352,205	1,576,225	62,177,686
101,425	18,491	757,991	254,890	289,256	3,032,326
46,670	93,468	3,865	77,645	6,507	777,552
94,568	-	-	-	-	94,568
-	-	-	-	-	2,859
-	-	-	-	-	142
-	-	-	-	-	-
242,663	111,959	761,856	332,535	295,763	3,907,447
171,664	-	-	-	-	171,664
-	-	-	-	-	33,025,352
28,942	375,000	973	296,072	21,910	1,086,733
4,834,761	2,566,609	633,005	3,723,598	1,258,552	23,986,490
5,035,367	2,941,609	633,978	4,019,670	1,280,462	58,270,239
5,278,030	3,053,568	1,395,834	4,352,205	1,576,225	62,177,686

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Grants	Community Development	Open Space Agriculture Preservation	Proffers
ASSETS				
Cash and temporary investments	\$ 2,114,448	-	1,423,780	11,470,270
Intergovernmental revenues due from:				
Commonwealth of Virginia	397,409	-	-	-
Other	1,827,257	490,209	-	-
Receivables:				
Accounts receivable	100,660	-	-	-
Interest receivable	-	-	-	-
Other	76	-	-	-
Allowance for uncollectible amounts	-	-	-	-
Inventory of materials and supplies	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	941,829	-
Total assets	\$ 4,439,850	490,209	2,365,609	11,470,270
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 120,847	44,289	-	-
Accrued expenditures	26,562	1,712	-	-
Other liabilities	-	-	-	-
Other liabilities	504	-	-	-
Due to Commonwealth of Virginia	-	-	-	-
Due to other funds	112,514	75,170	-	-
Total liabilities	260,427	121,171	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	4,018,913	-	-	11,470,270
Committed	160,510	369,038	2,365,609	-
Assigned	-	-	-	-
Total fund balances	4,179,423	369,038	2,365,609	11,470,270
Total liabilities and fund balances	\$ 4,439,850	490,209	2,365,609	11,470,270

Schedule P-1, Continued

Special Revenue Funds		Permanent Funds		Total Nonmajor Governmental Funds
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
48,747	358,755	181,340	14,117	72,375,777
-	-	-	-	1,700,214
-	-	-	-	3,268,243
-	-	-	-	5,886,975
-	-	55	98	153
-	-	-	-	484,082
-	-	-	-	(3,284,972)
-	-	-	-	2,771
-	-	-	-	171,664
-	-	-	-	941,829
48,747	358,755	181,395	14,215	81,546,736
-	-	-	-	3,197,462
-	-	-	-	805,826
-	-	-	-	94,568
-	-	-	-	3,363
-	-	-	-	142
-	-	-	-	187,684
-	-	-	-	4,289,045
-	-	11,295	1,500	184,459
-	-	170,100	12,715	48,697,350
48,747	358,755	-	-	4,389,392
-	-	-	-	23,986,490
48,747	358,755	181,395	14,215	77,257,691
48,747	358,755	181,395	14,215	81,546,736

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Integrated Behavioral Healthcare
REVENUES				
Taxes on real property	\$ 6,401,257	4,336,708	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,324,123	8,164,664
Federal government	-	-	9,695,436	1,173,558
Recovered costs	-	-	12,294	27,093
Investment income	81,316	31,820	23,612	48,360
Charges for services	-	-	388	7,263,481
Sale of food and beverages	-	-	-	8,644
Miscellaneous local revenues	-	-	570	-
Program income	-	-	-	-
Total revenues	6,482,573	4,368,528	14,056,423	16,685,800
EXPENDITURES				
Current:				
General government	-	250	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	19,692,064	22,809,780
Education - Payments to Public Schools	-	-	-	-
Capital outlay	-	-	8,883	48,514
Total expenditures	-	250	19,700,947	22,858,294
Excess (deficiency) of revenues				
over (under) expenditures	6,482,573	4,368,278	(5,644,524)	(6,172,494)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	6,046,135	8,134,875
Transfers to other funds	(3,969,233)	(5,635,117)	(41,585)	(689,510)
Total other financing sources (uses), net	(3,969,233)	(5,635,117)	6,004,550	7,445,365
Net change in fund balance	2,513,340	(1,266,839)	360,026	1,272,871
Fund balance - beginning	16,516,415	8,701,610	6,170,042	10,091,688
Fund balance - ending	\$ 19,029,755	7,434,771	6,530,068	11,364,559

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Fee Supported Activities	Subtotal
-	-	-	-	-	10,737,965
-	-	-	4,947,998	-	4,947,998
2,386,789	-	-	-	-	2,386,789
643,374	-	-	-	-	643,374
827,003	-	-	-	-	827,003
176,352	-	-	-	-	176,352
-	3,455,917	2,200,762	1,395,190	-	19,540,656
-	-	-	-	-	10,868,994
1,783	1,490,490	5,573	-	8,779	1,546,012
19,824	12,122	2,778	18,182	5,935	243,949
366,858	24,353	5,441	-	1,050,516	8,711,037
981,134	-	-	-	-	989,778
-	-	-	-	-	570
-	-	-	-	-	-
5,403,117	4,982,882	2,214,554	6,361,370	1,065,230	61,620,477
3,528,129	6,262,529	-	-	-	9,790,908
-	-	-	5,761,642	778,708	6,540,350
-	-	-	-	-	-
-	-	3,954,362	-	-	46,456,206
-	-	-	-	-	-
80,044	-	-	46,238	-	183,679
3,608,173	6,262,529	3,954,362	5,807,880	778,708	62,971,143
1,794,944	(1,279,647)	(1,739,808)	553,490	286,522	(1,350,666)
-	1,557,674	1,419,507	244,117	2,297	17,404,605
(779,824)	(6,448)	(2,778)	(18,182)	(5,935)	(11,148,612)
(779,824)	1,551,226	1,416,729	225,935	(3,638)	6,255,993
1,015,120	271,579	(323,079)	779,425	282,884	4,905,327
4,020,247	2,670,030	957,057	3,240,245	997,578	53,364,912
5,035,367	2,941,609	633,978	4,019,670	1,280,462	58,270,239

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue Funds			
	Grants	Community Development	Open Space Agriculture Preservation	Proffers
REVENUES				
Taxes on real property	\$ -	-	517,982	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	38,600	-
Intergovernmental revenues:				
Commonwealth of Virginia	2,689,802	-	-	-
Federal government	2,662,998	1,362,933	-	-
Recovered costs	-	-	-	-
Investment income	13,170	-	(65,970)	-
Charges for services	139,680	-	-	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	123,709	1,674	-	3,018,411
Program income	198,941	441,777	-	-
Total revenues	5,828,300	1,806,384	490,612	3,018,411
EXPENDITURES				
Current:				
General government	1,652,628	-	44,817	-
Public safety	1,545,056	-	-	-
Parks and recreation	71,236	-	-	-
Public welfare	543,712	1,233,853	-	-
Education - Payments to Public Schools	-	-	-	589,037
Capital outlay	2,150,338	259,425	1,039,230	-
Total expenditures	5,962,970	1,493,278	1,084,047	589,037
Excess (deficiency) of revenues over (under) expenditures	(134,670)	313,106	(593,435)	2,429,374
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	200,144	53,928	-	-
Transfers to other funds	111,902	-	(69,102)	(2,272,203)
Total other financing sources (uses), net	312,046	53,928	(69,102)	(2,272,203)
Net change in fund balance	177,376	367,034	(662,537)	157,171
Fund balance - beginning	4,002,047	2,004	3,028,146	11,313,099
Fund balance - ending	\$ 4,179,423	369,038	2,365,609	11,470,270

Schedule P-2, Continued

Special Revenue Funds		Permanent Funds		Total Nonmajor Governmental Funds
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
-	-	-	-	11,255,947
-	-	-	-	4,947,998
-	-	-	-	2,386,789
-	-	-	-	643,374
-	-	-	-	827,003
-	-	-	-	214,952
-	-	-	-	22,230,458
-	-	-	-	14,894,925
-	-	-	-	1,546,012
252	243	1,804	146	193,594
-	-	-	-	8,850,717
-	-	-	-	989,778
-	-	-	-	3,144,364
-	-	-	-	640,718
252	243	1,804	146	72,766,629
50,000	-	-	-	11,538,353
-	-	-	-	8,085,406
-	-	-	-	71,236
-	1,325	-	-	48,235,096
-	-	-	-	589,037
-	20,387	-	-	3,653,059
50,000	21,712	-	-	72,172,187
(49,748)	(21,469)	1,804	146	594,442
-	-	-	-	17,658,677
-	-	-	-	(13,378,015)
-	-	-	-	4,280,662
(49,748)	(21,469)	1,804	146	4,875,104
98,495	380,224	179,591	14,069	72,382,587
48,747	358,755	181,395	14,215	77,257,691

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Tax Increment Financing Greenbrier Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	\$	6,172,600	6,401,257	228,657
Investment income		-	81,316	81,316
Total revenues		6,172,600	6,482,573	309,973
EXPENDITURES				
General government		6,000	-	6,000
Total expenditures		6,000	-	6,000
Excess (deficiency) of revenues over (under) expenditures		6,166,600	6,482,573	315,973
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(3,887,998)	(3,969,233)	(81,235)
Total other financing sources (uses), net		(3,887,998)	(3,969,233)	(81,235)
Net change in fund balance		2,278,602	2,513,340	234,738
Fund balance - beginning		16,516,415	16,516,415	-
Fund balance - ending	\$	18,795,017	19,029,755	234,738

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Tax Increment Financing South Norfolk Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	\$	4,323,000	4,336,708	13,708
Investment income		-	31,820	31,820
Total revenues		4,323,000	4,368,528	45,528
EXPENDITURES				
General government		50,000	250	49,750
Total expenditures		50,000	250	49,750
Excess (deficiency) of revenues over (under) expenditures		4,273,000	4,368,278	95,278
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(5,597,770)	(5,635,117)	(37,347)
Total other financing sources (uses), net		(5,597,770)	(5,635,117)	(37,347)
Net change in fund balance		(1,324,770)	(1,266,839)	57,931
Fund balance - beginning		8,701,610	8,701,610	-
Fund balance - ending	\$	7,376,840	7,434,771	57,931

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,592,383	4,324,123	(1,268,260)
Federal government	8,230,793	9,695,436	1,464,643
Total intergovernmental revenue	13,823,176	14,019,559	196,383
Recovered costs	9,500	12,294	2,794
Investment income	-	23,612	23,612
Charges for services	56,993	388	(56,605)
Miscellaneous local revenues	-	570	570
Total revenues	13,889,669	14,056,423	166,754
EXPENDITURES			
Public welfare:			
Bureau of Public Assistance	4,123,585	3,870,304	253,281
Joint Administration	4,304,934	3,742,618	562,316
Service Administration	6,637,459	6,143,986	493,473
Eligibility Administration	6,439,896	5,716,007	723,889
Other special programs	223,392	219,149	4,243
Capital outlay	-	8,883	(8,883)
Total expenditures	21,729,266	19,700,947	2,028,319
Excess (deficiency) of revenues over (under) expenditures	(7,839,597)	(5,644,524)	2,195,073
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	6,046,135	6,046,135	-
Transfers to other funds	(21,191)	(41,585)	(20,394)
Total other financing sources (uses), net	6,024,944	6,004,550	(20,394)
Net change in fund balance	(1,814,653)	360,026	2,174,679
Fund balance - beginning	6,170,042	6,170,042	-
Fund balance - ending	\$ 4,355,389	6,530,068	2,174,679

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Integrated Behavioral Healthcare Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia:			
Substance abuse grants	\$ 907,883	907,883	-
Mental health grants	6,547,980	6,371,851	(176,129)
Intellectual disability grants	884,930	884,930	-
Total from the Commonwealth of Virginia	8,340,793	8,164,664	(176,129)
Federal government:			
Substance abuse, mental health and intellectual disability grants	1,144,037	1,173,558	29,521
Charges for services:			
Mental health fees	3,646,490	2,506,540	(1,139,950)
Intellectual disability fees	4,561,890	4,570,014	8,124
Substance abuse fees	98,582	186,927	88,345
Total charges for services	8,306,962	7,263,481	(1,043,481)
Recovered costs	-	27,093	27,093
Investment income	-	48,360	48,360
Sale of food and beverages	11,600	8,644	(2,956)
Total revenues	17,803,392	16,685,800	(1,117,592)
EXPENDITURES			
Public welfare	26,312,548	22,809,780	3,502,768
Capital outlay	131,564	48,514	83,050
Total expenditures	26,444,112	22,858,294	3,585,818
Excess (deficiency) of revenues over (under) expenditures	(8,640,720)	(6,172,494)	2,468,226
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	8,134,875	8,134,875	-
Transfers to other funds	(641,150)	(689,510)	(48,360)
Total other financing sources (uses), net	7,493,725	7,445,365	(48,360)
Net change in fund balance	(1,146,995)	1,272,871	2,419,866
Fund balance - beginning	10,091,688	10,091,688	-
Fund balance - ending	\$ 8,944,693	11,364,559	2,419,866

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 2,395,500	2,386,789	(8,711)
Lodging sales tax	625,200	643,374	18,174
Lodging flat tax	870,500	827,003	(43,497)
Revenues from use of property	229,150	176,352	(52,798)
Recovered costs	23,985	1,783	(22,202)
Investment income	-	19,824	19,824
Charges for services	429,600	366,858	(62,742)
Sale of food and beverages	1,198,000	981,134	(216,866)
Total revenues	5,771,935	5,403,117	(368,818)
EXPENDITURES			
General government	4,047,396	3,528,129	519,267
Capital outlay	80,045	80,044	1
Total expenditures	4,127,441	3,608,173	519,268
Excess (deficiency) of revenues over (under) expenditures	1,644,494	1,794,944	150,450
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(760,000)	(779,824)	(19,824)
Total other financing sources (uses), net	(760,000)	(779,824)	(19,824)
Net change in fund balance	884,494	1,015,120	130,626
Fund balance - beginning	4,020,247	4,020,247	-
Fund balance - ending	\$ 4,904,741	5,035,367	130,626

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Juvenile Services Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 3,053,919	3,455,917	401,998
Recovered costs	1,528,100	1,490,490	(37,610)
Investment income	-	12,122	12,122
Charges for services	8,100	24,353	16,253
Total revenues	4,590,119	4,982,882	392,763
EXPENDITURES			
General government	6,885,979	6,262,529	623,450
Total expenditures	6,885,979	6,262,529	623,450
Excess (deficiency) of revenues over (under) expenditures	(2,295,860)	(1,279,647)	1,016,213
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,557,674	1,557,674	-
Transfers to the General Fund	-	(6,448)	(6,448)
Total other financing sources (uses), net	1,557,674	1,551,226	(6,448)
Net change in fund balance	(738,186)	271,579	1,009,765
Fund balance - beginning	2,670,030	2,670,030	-
Fund balance - ending	\$ 1,931,844	2,941,609	1,009,765

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Interagency Consortium Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,169,833	2,200,762	30,929
Recovered costs	-	5,573	5,573
Investment income	-	2,778	2,778
Charges for services	-	5,441	5,441
Total revenues	2,169,833	2,214,554	44,721
EXPENDITURES			
Public welfare:			
Contract services	3,699,210	3,699,210	-
Administrative expenses	283,265	255,152	28,113
Total expenditures	3,982,475	3,954,362	28,113
Excess (deficiency) of revenues over (under) expenditures	(1,812,642)	(1,739,808)	72,834
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,419,507	1,419,507	-
Transfer to the General Fund	-	(2,778)	(2,778)
Total other financing sources (uses), net	1,419,507	1,416,729	(2,778)
Net change in fund balance	(393,135)	(323,079)	70,056
Fund balance - beginning	957,057	957,057	-
Fund balance - ending	\$ 563,922	633,978	70,056

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

E-911 Operations Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Communications sales tax	\$ 4,947,998	4,947,998	-
Intergovernmental revenues:			
Commonwealth of Virginia	1,325,000	1,395,190	70,190
Investment income	-	18,182	18,182
Total revenues	6,272,998	6,361,370	88,372
EXPENDITURES			
Public safety	6,302,638	5,761,642	540,996
Capital outlay	168,358	46,238	122,120
Total expenditures	6,470,996	5,807,880	663,116
Excess (deficiency) of revenues over (under) expenditures	(197,998)	553,490	751,488
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	80,229	80,229	-
Transfers from other funds	163,888	163,888	-
Transfers to other funds	-	(18,182)	(18,182)
Total other financing sources (uses), net	244,117	225,935	(18,182)
Net change in fund balance	46,119	779,425	733,306
Fund balance - beginning	3,240,245	3,240,245	-
Fund balance - ending	\$ 3,286,364	4,019,670	733,306

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Fee Supported Activities Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2017

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Recovered costs	\$ 6,000	8,779	2,779
Investment income	-	5,935	5,935
Charges for services	830,300	1,050,516	220,216
Total revenues	836,300	1,065,230	228,930
EXPENDITURES			
Public safety	1,023,352	778,708	244,644
Capital outlay	40,000	-	40,000
Total expenditures	1,063,352	778,708	284,644
Excess (deficiency) of revenues over (under) expenditures	(227,052)	286,522	513,574
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	2,297	2,297	-
Transfer to the General Fund	-	(5,935)	(5,935)
Total other financing sources (uses), net	2,297	(3,638)	(5,935)
Net change in fund balance	(224,755)	282,884	507,639
Fund balance - beginning	997,578	997,578	-
Fund balance - ending	\$ 772,823	1,280,462	507,639

Internal Service Funds

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

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

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

Self-Funded Health Fund – To account for the City's self-funded health insurance program.



CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments	\$ 5,525,640	6,821,641	21,841,635	4,624,961	38,813,877
Receivables:					
Accounts	15,119	51,862	-	147,248	214,229
Interest	-	-	52,279	-	52,279
Inventory of materials and supplies	-	432,157	-	-	432,157
Prepaid expenses	728,259	48,852	2,584,423	21,158	3,382,692
Total current assets	6,269,018	7,354,512	24,478,337	4,793,367	42,895,234
Noncurrent assets:					
Capital assets:					
Construction in progress	2,477,331	20,397	-	-	2,497,728
Buildings	489,072	159,095	-	-	648,167
Improvements other than buildings	12,912,298	170,179	-	-	13,082,477
Software, equipment and vehicles	20,937,737	99,401,263	265,990	-	120,604,990
Infrastructure	-	77,584	-	-	77,584
Less accumulated depreciation	(30,116,338)	(56,678,010)	(265,990)	-	(87,060,338)
Total capital assets, net of accumulated depreciation	6,700,100	43,150,508	-	-	49,850,608
Total noncurrent assets	6,700,100	43,150,508	-	-	49,850,608
Total assets	12,969,118	50,505,020	24,478,337	4,793,367	92,745,842
Deferred Outflows of Resources	1,117,891	978,510	139,520	-	2,235,921
Total assets and deferred outflows of resources	\$ 14,087,009	51,483,530	24,617,857	4,793,367	94,981,763
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable	\$ 410,033	589,895	480,819	141,609	1,622,356
Accrued expenses and other liabilities	83,089	54,475	9,118	-	146,682
Unearned revenues	-	-	-	3,233,848	3,233,848
Current portion of accrued vacation, sick pay and overtime leave	133,668	101,926	8,043	-	243,637
Current portion of liability for self-insurance losses	-	-	5,485,180	2,517,342	8,002,522
Total current liabilities	626,790	746,296	5,983,160	5,892,799	13,249,045
Noncurrent liabilities:					
Accrued vacation, sick pay and overtime leave	176,564	144,208	9,117	-	329,889
Liability for self-insurance losses	-	-	20,614,280	-	20,614,280
Net pension liability	3,819,872	2,407,228	307,453	-	6,534,553
Total noncurrent liabilities	3,996,436	2,551,436	20,930,850	-	27,478,722
Total liabilities	4,623,226	3,297,732	26,914,010	5,892,799	40,727,767
Deferred Inflows of Resources	95,834	65,015	10,244	-	171,093
Net Position					
Net investment in capital assets	6,700,100	43,150,508	-	-	49,850,608
Unrestricted (deficit)	2,667,849	4,970,275	(2,306,397)	(1,099,432)	4,232,295
Total net position	9,367,949	48,120,783	(2,306,397)	(1,099,432)	54,082,903
Total liabilities, deferred inflows and net position	\$ 14,087,009	51,483,530	24,617,857	4,793,367	94,981,763

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2017

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
OPERATING REVENUES					
Billings to departments	\$ 9,078,285	14,571,165	7,401,775	35,334,354	66,385,579
Billings to outside agencies and component units	466,812	928,790	-	-	1,395,602
Rental fees	240,846	-	-	-	240,846
Recovered costs	1,666	142,261	396,663	379,306	919,896
Other	-	15,198	-	-	15,198
Total operating revenues	9,787,609	15,657,414	7,798,438	35,713,660	68,957,121
OPERATING EXPENSES					
Cost of materials billed	-	2,705,578	-	-	2,705,578
Purchases for resale	-	2,352,712	-	-	2,352,712
General and administrative	578,766	100,743	4,912	73,853	758,274
Other salaries and wages	2,826,697	2,401,357	375,115	-	5,603,169
Other fringe benefits	1,052,884	1,277,263	95,151	-	2,425,298
Self-insurance losses	-	-	3,919,572	(182,872)	3,736,700
Indemnity and medical claims	-	-	1,713,907	31,996,074	33,709,981
Other repairs and supplies	3,481,251	1,812,873	56,169	-	5,350,293
Equipment rental	2,450	3,180	1,172	-	6,802
Other contractual services	898,355	102,402	103,656	1,798,162	2,902,575
Depreciation and amortization	2,052,372	8,106,740	435	-	10,159,547
Insurance premiums	-	-	1,448,306	1,458,742	2,907,048
Total operating expenses	10,892,775	18,862,848	7,718,395	35,143,959	72,617,977
Operating income (loss)	(1,105,166)	(3,205,434)	80,043	569,701	(3,660,856)
NONOPERATING REVENUES (EXPENSES)					
Investment income	23,864	28,284	117,486	15,609	185,243
Gain on sale of equipment	-	227,897	-	-	227,897
Loss on sale of equipment	(47,452)	(225,632)	(5,660)	-	(278,744)
Total nonoperating revenues (expenses), net	(23,588)	30,549	111,826	15,609	134,396
Income (loss) before transfers and contributions	(1,128,754)	(3,174,885)	191,869	585,310	(3,526,460)
Transfers in	758,988	37,976	9,415	-	806,379
Transfers out	(413,753)	(28,284)	(21,432)	-	(463,469)
Capital contributions	316,095	7,222,943	-	-	7,539,038
Change in net position	(467,424)	4,057,750	179,852	585,310	4,355,488
Total net position - beginning	9,835,373	44,063,033	(2,486,249)	(1,684,742)	49,727,415
Total net position - ending	\$ 9,367,949	48,120,783	(2,306,397)	(1,099,432)	54,082,903

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2017

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,787,169	15,605,552	7,798,438	36,327,126	69,518,285
Payments to suppliers	(4,999,394)	(7,243,916)	(8,133,671)	(35,213,236)	(55,590,217)
Payments to employees	(3,794,427)	(3,323,815)	(491,548)	-	(7,609,790)
Net cash provided by (used in) operating activities	993,348	5,037,821	(826,781)	1,113,890	6,318,278
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	758,988	37,976	9,415	-	806,379
Transfers out	(413,753)	(28,284)	(21,432)	-	(463,469)
Net cash provided by (used in) noncapital financing activities	345,235	9,692	(12,017)	-	342,910
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,305,098)	(4,266,514)	-	-	(5,571,612)
Proceeds from sale of capital assets	(47,452)	2,265	-	-	(45,187)
Net cash provided by (used in) capital and related financing activities	(1,352,550)	(4,264,249)	-	-	(5,616,799)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	23,864	28,284	102,731	15,609	170,488
Net cash provided by investing activities	23,864	28,284	102,731	15,609	170,488
Net increase (decrease) in cash and temporary investments	9,897	811,548	(736,067)	1,129,499	1,214,877
Cash and temporary investments beginning of year	5,515,743	6,010,093	22,577,702	3,495,462	37,599,000
Cash and temporary investments end of year	\$ 5,525,640	6,821,641	21,841,635	4,624,961	38,813,877
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (1,105,166)	(3,205,434)	80,043	569,701	(3,660,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,052,372	8,106,740	435		10,159,547
Pension expense	14,041	272,343	(36,775)		249,609
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	(440)	(51,862)	-	105,116	52,814
Prepaid expenses and other assets	112,865	(46,524)	(22,640)	7,916	51,617
Inventory of materials and supplies	-	(91,885)	-		(91,885)
Accounts payable	(151,437)	(28,019)	(190,262)	105,679	(264,039)
Unearned revenue	-		-	508,350	508,350
Accrued expenses and other liabilities	83,089	54,470	9,118		146,677
Liability for self-insurance losses	-		(673,075)	(182,872)	(855,947)
Accrued vacation, sick pay and overtime leave	(11,976)	27,992	6,375		22,391
Total adjustments	2,098,514	8,243,255	(906,824)	544,189	9,979,134
Net cash provided by (used in) operating activities	\$ 993,348	5,037,821	(826,781)	1,113,890	6,318,278
Supplemental information on significant noncash transactions:					
Contributions of capital assets:					
Information Technology	\$ 316,095				
City Garage		7,222,943			

Fiduciary Fund

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



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CITY OF CHESAPEAKE, VIRGINIA*Schedule R*

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2017

	Balances at July 1, 2016	Additions	Deductions	Balances at June 30, 2017
ASSETS				
Cash and temporary investments	\$ 8,685	33,109	28,563	13,231
Total current assets	\$ 8,685	33,109	28,563	13,231
LIABILITIES				
Due to children under foster care	\$ 8,685	33,109	28,563	13,231
Total liabilities	\$ 8,685	33,109	28,563	13,231

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Chesapeake
VIRGINIA

Chesapeake Public Schools Component Unit

Major Governmental funds

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

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

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

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

Fiduciary Funds:

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

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



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CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-1

Balance Sheet
Governmental Funds
June 30, 2017

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 39,121,514	4,953,087	5,733,796	-	49,808,397
Receivables	816,094	26,799	9,847	-	852,740
Due from federal government	17,760,088	515,666	-	-	18,275,754
Due from Commonwealth of Virginia	11,371,294	-	-	-	11,371,294
Inventory	2,138,571	464,254	-	-	2,602,825
Restricted cash and temporary investments	-	-	-	22,476,133	22,476,133
Total assets	\$ 71,207,561	5,959,806	5,743,643	22,476,133	105,387,143
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 41,722,339	489,260	-	3,612,303	45,823,902
Claims payable	7,159,617	-	-	-	7,159,617
Total liabilities	48,881,956	489,260	-	3,612,303	52,983,519
Deferred Inflows of Resources					
Unavailable revenues - sales taxes	4,343,485	-	-	-	4,343,485
Unavailable revenues due to timing - federal	12,277	-	-	-	12,277
Total deferred inflows of resources	4,355,762	-	-	-	4,355,762
Fund Balances					
Nonspendable:					
Inventory	2,138,571	464,254	-	-	2,602,825
Restricted:					
Capital Projects	-	-	-	18,863,830	18,863,830
Food services	-	5,006,292	-	-	5,006,292
School textbook	-	-	5,743,643	-	5,743,643
Future health, dental and workers' compensation	13,403,426	-	-	-	13,403,426
Technology	726,252	-	-	-	726,252
Instruction	613,761	-	-	-	613,761
Assigned to:					
Instruction	1,087,833	-	-	-	1,087,833
Total fund balances	17,969,843	5,470,546	5,743,643	18,863,830	48,047,862
Total liabilities, deferred inflows and fund balances	\$ 71,207,561	5,959,806	5,743,643	22,476,133	
Adjustments for the statement of net position:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					241,991,277
Long-term liabilities are not reported as liabilities in the governmental funds.					(54,937,368)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(283,101,992)
Deferred outflows are not reported in the governmental funds.					61,054,773
Net pension liabilities are not reported in the governmental funds.					(419,826,641)
Deferred inflows are not reported in the governmental funds.					(24,570,295)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					94,236
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds.					4,355,762
Net position of governmental activities					\$ (426,892,386)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
REVENUES					
Intergovernmental revenues:					
City of Chesapeake	\$ 188,574,478	-	-	-	188,574,478
Commonwealth of Virginia	227,554,430	314,165	-	-	227,868,595
Federal government	21,579,386	8,215,843	-	-	29,795,229
Donated commodities from Federal government	-	826,959	-	-	826,959
Total intergovernmental	437,708,294	9,356,967	-	-	447,065,261
Charges for services	14,981,685	3,653,858	-	-	18,635,543
Interest	214,527	28,034	17,939	189,865	450,365
Miscellaneous	879,837	13,482	10,395	-	903,714
Total revenues	453,784,343	13,052,341	28,334	189,865	467,054,883
EXPENDITURES					
Education:					
Administration	9,110,842	-	-	-	9,110,842
Instruction	346,524,641	-	7,221	-	346,531,862
Attendance and health services	6,437,147	-	-	-	6,437,147
Pupil transportation	28,771,047	-	-	-	28,771,047
Operations and maintenance	44,489,037	-	-	-	44,489,037
School facilities services	566,499	-	-	-	566,499
School technology services	14,965,819	-	-	-	14,965,819
Total education	450,865,032	-	7,221	-	450,872,253
Food services	-	12,170,710	-	-	12,170,710
Debt service	2,084,131	-	-	-	2,084,131
Payment to primary government – return of interest income	214,527	-	-	189,865	404,392
Capital outlay	4,810,158	-	-	14,647,853	19,458,011
Total expenditures	457,973,848	12,170,710	7,221	14,837,718	484,989,497
Excess (deficiency) of revenues over (under) expenditures	(4,189,505)	881,631	21,113	(14,647,853)	(17,934,614)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	4,810,158	-	-	-	4,810,158
Payment from primary government for capital outlay and textbooks	-	-	1,691,834	9,535,173	11,227,007
Total other financing sources (uses)	4,810,158	-	1,691,834	9,535,173	16,037,165
Net change in fund balance	620,653	881,631	1,712,947	(5,112,680)	(1,897,449)
Fund balance - beginning	17,372,118	4,553,615	4,030,696	23,976,510	49,932,939
Increase (decrease) in reserve for inventory	(22,928)	35,300	-	-	12,372
Fund balance - ending	\$ 17,969,843	5,470,546	5,743,643	18,863,830	48,047,862

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2, Continued

Statement of Revenues, Expenditures and Changes in Fund Balance:
 Governmental Funds
 Year Ended June 30, 2017

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

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

Net change in fund balances - total governmental funds	\$ (1,897,449)
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.	8,658,222
In the Statement of Activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the equipment sold.	(41,625)
Some capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. Capital leases are not revenues in the statement of activities.	(4,810,158)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,926,270
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.	(19,341)
Because some sales taxes will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.	101,309
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	12,372
Changes in net OPEB obligations are reported only in the statement of activities.	(2,001,318)
Changes in net pension liabilities are reported only in the statement of activities.	359,141
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 amount used exceeded the liabilities incurred by \$12,817,607 and self insurance amount paid exceeded claims incurred by \$63,858.	(12,881,465)

Change in net position of governmental activities	\$ (10,594,042)
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CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-3

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Fund	Other Postemployment Benefits Trust Fund
ASSETS		
Cash and temporary investments	\$ 4,800,334	-
Investments, at fair value		
Money market trust	-	3,140,867
Total assets	\$ 4,800,334	3,140,867
LIABILITIES AND NET POSITION		
Liabilities:		
Due to students	\$ 4,800,334	-
Total liabilities	4,800,334	-
Net position:		
Held in trust for other postemployment benefits	-	3,140,867
Total net position	-	3,140,867
Total liabilities and net position	\$ 4,800,334	3,140,867

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-3A

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	Other Postemployment Benefits Trust Fund
ADDITIONS	
Contributions from employer	\$ 5,681,682
Contributions from plan members	3,887,479
Investment income:	
Interest and dividends	358,694
Net investment income	358,694
Total additions	9,927,855
DEDUCTIONS	
Administrative expenses	3,829
Benefits and refunds paid on behalf of plan members and beneficiaries	9,569,161
Total deductions	9,572,990
Change in net position	354,865
Held in trust for other postemployment benefits - beginning of year	2,786,002
Held in trust for other postemployment benefits - end of year	\$ 3,140,867

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-4

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools General Fund
 Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
City of Chesapeake	\$ 188,635,000	188,635,000	188,574,478	(60,522)
Commonwealth of Virginia	231,017,792	231,216,773	227,554,430	(3,662,343)
Federal government	27,007,780	26,772,598	21,579,386	(5,193,212)
Charges for services	2,230,800	2,230,800	14,981,685	12,750,885
Interest	-	-	214,527	214,527
Miscellaneous	759,135	757,931	879,837	121,906
Total revenues	449,650,507	449,613,102	453,784,343	4,171,241
EXPENDITURES				
Education:				
Administration	8,802,673	9,091,673	9,110,842	(19,169)
Instruction	344,261,309	345,550,639	346,524,641	(974,002)
Attendance and health services	6,438,410	6,438,410	6,437,147	1,263
Pupil transportation	27,769,239	27,882,530	28,771,047	(888,517)
Operations and maintenance	43,976,196	44,421,557	44,489,037	(67,480)
School facilities services	604,507	604,507	566,499	38,008
School technology services	15,686,637	16,024,237	14,965,819	1,058,418
Capital Outlay	-	-	4,810,158	(4,810,158)
Total education	447,538,971	450,013,553	455,675,190	(5,661,637)
Debt service:				
Principal	1,926,270	1,926,270	1,926,270	-
Interest	157,861	157,861	157,861	-
Total debt service	2,084,131	2,084,131	2,084,131	-
Payment to primary government – return of interest income	-	-	214,527	214,527
Total expenditures	449,623,102	452,097,684	457,973,848	(5,447,110)
Excess (deficiency) of revenues over (under) expenditures	\$ 27,405	(2,484,582)	(4,189,505)	(1,704,923)
Other financing sources (uses):				
Proceeds from capital leases			4,810,158	
Total other financing uses			4,810,158	
Net change in fund balance			620,653	
Fund balance - beginning			17,372,118	
Increase (decrease) in reserve for inventory			(22,928)	
Fund balance - ending			<u>\$ 17,969,843</u>	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-5

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools Food Services Fund
 Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	\$ 150,000	150,000	314,165	164,165
Federal government	10,100,998	10,100,998	8,215,843	(1,885,155)
Charges for services	3,150,519	3,150,519	3,653,858	503,339
Interest	3,000	3,000	28,034	25,034
Miscellaneous	76,000	76,000	13,482	(62,518)
Total revenues	13,480,517	13,480,517	12,225,382	(1,255,135)
EXPENDITURES				
Operating costs:				
Purchases for resale	4,401,000	4,386,000	3,425,919	960,081
Food service salaries and fringe benefits	6,644,355	6,644,355	5,979,595	664,760
General and administrative	2,076,147	2,086,147	1,791,696	294,451
Other repairs and supplies	192,750	202,750	116,010	86,740
Capital outlay	147,000	142,000	17,721	124,279
Other expenditures	19,265	19,265	12,810	6,455
Total expenditures	13,480,517	13,480,517	11,343,751	2,136,766
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	881,631	881,631
Fund balance - beginning			4,553,615	
Increase (decrease) in reserve for inventory			35,300	
Fund balance - ending			<u>\$ 5,470,546</u>	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-6

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools Textbooks Fund
 Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 35,000	35,000	17,939	(17,061)
Miscellaneous	75,000	75,000	10,395	(64,605)
Total revenues	110,000	110,000	28,334	(81,666)
EXPENDITURES				
Instruction				
Textbooks	1,977,884	4,103,687	-	4,103,687
Expendable workbooks	460,000	460,000	7,221	452,779
Total expenditures	2,437,884	4,563,687	7,221	4,556,466
Excess (deficiency) of revenues over (under) expenditures	\$ (2,327,884)	(4,453,687)	21,113	4,474,800
Other financing sources (uses):				
Transfer from primary government			1,691,834	
Total other financing sources (uses)			1,691,834	
Net change in fund balance			1,712,947	
Fund balance - beginning			4,030,696	
Fund balance - ending			\$ 5,743,643	

Other Component Units

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Position
 Other Component Units
 June 30, 2017

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Cash and temporary investments	\$ 3,625,456	1,696
Inventory of materials and supplies	246,743	-
Prepaid expenses	119,562	-
Total current assets	3,991,761	1,696
Total assets	\$ 3,991,761	1,696
LIABILITIES, FUND BALANCE AND NET POSITION		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 187,627	-
Total current liabilities	187,627	-
Total liabilities	187,627	-
Fund Balance		
Nonspendable:		
Inventory	246,743	-
Committed:		
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	1,463,663	-
Net Position		
Unrestricted (deficit)	-	1,696
Total fund balance and net position	3,804,134	1,696
Total liabilities, fund balance and net position	\$ 3,991,761	1,696
Reconciliation to Net Position:		
Total fund balance	\$ 3,804,134	
Capital assets - net of depreciation	2,504,155	
Deferred outflows	549,389	
Net pension liability	(1,168,874)	
Deferred inflows	(554,341)	
Net Position	\$ 5,134,463	

Statement of Revenues, Expenditures and Changes in Fund Balance
 Chesapeake Mosquito Control Commission
 Year Ended June 30, 2017

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 4,211,543
Investment income	10,432
Other	174,271
Total revenues	4,396,246
EXPENDITURES	
Other salaries and wages	1,885,727
Other fringe benefits	771,084
Other repairs and supplies	850,448
Insurance premiums	239,990
Capital outlay	69,813
Other	359,059
Total expenditures	4,176,121
Excess (deficiency) of revenues over (under) expenditures	220,125
Fund balance - beginning	3,584,009
Fund balance - ending	\$ 3,804,134

Reconciliation to Change in Net Position:

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

Net change in fund balance	\$ 220,125
Pension expense	348,191
Depreciation expense	(147,252)
Loss on disposal	(112,392)
Capital outlay expenditures	69,813
Change in Net Position	\$ 378,485

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

Statement of Revenues, Expenditures and Changes in Fund Net Position
Chesapeake Port Authority
Year Ended June 30, 2017

	Chesapeake Port Authority
OPERATING REVENUES	
Other income	\$ 1,200
Total operating revenues	1,200
OPERATING EXPENSES	
General and administrative	9,421
Other expenses	10,221
Total operating expenditures	19,642
Operating income (loss)	(18,442)
NONOPERATING REVENUES (EXPENSES)	
Appropriations from the City	953,828
Total nonoperating revenues (expenses), net	953,828
Change in net position	935,386
Net position - beginning	(933,690)
Net position - ending	\$ 1,696

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-4

Statement of Cash Flows
Chesapeake Port Authority
Year Ended June 30, 2017

	Chesapeake Port Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,200
Payments to suppliers	(37,532)
Net cash provided by (used in) operating activities	(36,332)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	9,421
Net cash provided by (used in) noncapital financing activities	9,421
Net increase (decrease) in cash and temporary investments	(26,911)
Cash and temporary investments beginning of year	28,607
Cash and temporary investments end of year	\$ 1,696
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (18,442)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts payable	(17,890)
Total adjustments	(17,890)
Net cash provided by (used in) operating activities	\$ (36,332)

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Chesapeake
VIRGINIA

STATISTICAL SECTION

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

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Net Position by Component
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
		2008	2009	2010	2011
Governmental Activities					
Net investment in capital assets	\$	684,361,590	701,163,988	711,456,653	735,161,026
Restricted for:					
Capital projects		8,353,966	6,797,052	6,733,774	7,208,270
Debt service		6,836,388	7,032,992	5,977,598	5,585,278
Other purposes:					
Expendable		44,031,261	48,053,608	61,966,212	64,874,383
Nonexpendable		12,795	12,795	12,795	12,795
Unrestricted		199,553,990	186,150,360	172,115,671	197,640,231
Total governmental activities net position	\$	943,149,990	949,210,795	958,262,703	1,010,481,983
Business-type Activities					
Net investment in capital assets	\$	275,037,856	287,074,512	274,620,304	282,334,648
Restricted for:					
Capital projects		2,919,414	3,110,328	1,421,019	2,969,658
Debt service		4,995,386	6,095,925	8,400,300	11,051,969
Other purposes:					
Expendable		66,957,564	71,224,863	90,743,786	99,837,905
Unrestricted		1,956,411	1,161,632	(1,229,016)	(1,185,861)
Total business-type activities net position	\$	351,866,631	368,667,260	373,956,393	395,008,319
Primary Government					
Net investment in capital assets	\$	959,399,446	988,238,500	986,076,957	1,017,495,674
Restricted for:					
Capital projects		11,273,380	9,907,380	8,154,793	10,177,928
Debt service		11,831,774	13,128,917	14,377,898	16,637,247
Other purposes:					
Expendable		95,452,179	119,278,471	152,709,998	164,712,288
Nonexpendable		12,795	12,795	12,795	12,795
Unrestricted		201,510,401	187,311,992	170,886,655	196,454,370
Total Primary Government net position	\$	1,279,479,975	1,317,878,055	1,332,219,096	1,405,490,302
Component Units					
Net investment in capital assets	\$	124,861,846	144,813,085	155,905,524	177,640,500
Restricted for:					
Capital projects		23,851,420	36,422,441	44,293,952	22,133,039
Other purposes:					
Expendable		2,010,154	1,994,027	2,334,502	1,234,356
Unrestricted		(52,681,911)	(91,627,322)	(143,537,497)	(189,089,275)
Total component units' net position	\$	98,041,509	91,602,231	58,996,481	11,918,620

Table 1

Fiscal Years					
2012	2013	2014	2015	2016	2017
762,765,688	715,309,724	725,639,898	751,215,126	803,408,601	917,873,047
7,541,231	7,945,218	7,730,629	9,289,916	9,496,284	7,573,672
2,974,020	3,051,674	1,104,771	524,780	572,809	800,317
66,019,778	65,320,915	71,603,633	73,178,331	79,026,265	86,689,437
12,795	12,795	12,795	12,795	12,795	184,459
180,953,477	194,955,789	212,685,592	100,085,810	127,611,781	166,360,668
1,020,266,989	986,596,115	1,018,777,318	934,306,758	1,020,128,535	1,179,481,600
286,255,165	338,956,191	363,131,229	380,994,500	374,310,640	398,107,933
1,765,682	4,909,101	4,192,551	10,285,096	13,054,525	97,882,413
10,331,849	40,167,626	36,168,752	33,995,534	33,421,662	33,684,535
116,409,613	112,058,449	133,882,562	135,829,971	149,570,921	79,037,754
(1,543,594)	(1,170,944)	(18,150,568)	(28,147,438)	(4,026,298)	(4,182,599)
413,218,715	494,920,423	519,224,526	532,957,663	566,331,450	604,530,036
1,049,020,853	1,054,265,915	1,088,771,127	1,132,209,626	1,177,719,241	1,315,980,980
9,306,913	12,854,319	11,923,180	19,575,012	22,550,809	108,422,181
13,305,869	43,219,300	37,273,523	34,520,314	33,994,471	34,484,852
182,429,391	177,379,364	205,486,195	209,008,302	228,597,186	171,014,539
12,795	12,795	12,795	12,795	12,795	184,459
179,409,883	193,784,845	194,535,024	71,938,372	123,585,483	153,924,625
1,433,485,704	1,481,516,538	1,538,001,844	1,467,264,421	1,586,459,985	1,784,011,636
218,780,868	226,212,630	231,613,876	240,465,301	238,621,923	245,580,745
15,625,180	27,122,536	22,562,553	17,708,059	23,976,510	18,863,830
38,848,921	36,950,588	27,909,453	22,479,251	22,906,943	26,003,608
(286,045,269)	(303,617,981)	(298,929,160)	(692,757,169)	(673,085,649)	(685,656,442)
(12,790,300)	(13,332,227)	(16,843,278)	(412,104,558)	(387,580,273)	(395,208,259)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2008	2009	2010	2011
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 11,413,581	15,214,785	14,634,265	15,176,526
Public safety	6,025,679	5,749,819	6,066,443	7,170,555
Public works	1,460,197	1,661,573	2,533,979	1,819,486
Parks and recreation	79,588	1,040,947	1,058,795	1,203,236
Public welfare	3,466,956	3,240,175	3,758,146	3,907,048
Operating grants and contributions	99,583,775	94,712,370	93,882,445	112,543,495
Capital grants and contributions	11,219,370	21,872,574	10,319,478	2,840,507
Total governmental activities' program revenues	\$ 133,249,146	143,492,243	132,253,551	144,660,853
Business-type activities:				
Charges for Services:				
Public Utilities	\$ 52,591,554	56,097,409	55,733,051	66,688,401
Chesapeake Transportation System	7,217,160	6,910,173	7,097,481	8,151,134
Stormwater Management	10,580,469	13,036,755	14,194,442	14,767,660
Northwest River Park	108,187	-	-	-
Jordan Bridge	1,501,230	527,523	-	-
Recreation	716,131	-	-	-
Operating grants and contributions	2,591,258	1,871,101	1,145,292	1,185,967
Capital grants and contributions	15,845,647	10,661,753	3,597,675	3,102,397
Total business-type activities' program revenues	\$ 91,151,636	89,104,714	81,767,941	93,895,559
Total Primary Government Activities program revenues	\$ 224,400,782	232,596,957	214,021,492	238,556,412
Component Units:				
Charges for Services:				
Public Schools	\$ 8,227,885	7,426,524	7,245,368	7,243,389
Chesapeake Port Authority	-	-	-	38,550
Chesapeake Airport Authority	391,022	394,838	431,858	435,781
Elizabeth River Properties of Chesapeake, Inc.	64,151	78,675	88,050	96,100
Operating grants and contributions	87,790,467	85,261,245	89,515,940	100,528,447
Capital grants and contributions	1,907,684	1,895,524	955,420	1,125,139
Total component units' program revenues	\$ 98,381,209	95,056,806	98,236,636	109,467,406
Total Primary Government and component units' program revenues	\$ 322,781,991	327,653,763	312,258,128	348,023,818

Table 2

Fiscal Years					
2012	2013	2014	2015	2016	2017
15,655,753	19,070,413	17,991,011	17,221,747	17,919,246	18,626,308
8,004,960	4,552,411	4,930,678	6,065,257	6,327,000	6,842,159
572,422	491,789	579,655	423,362	397,605	433,412
1,185,891	1,119,617	1,199,110	1,179,898	1,325,959	1,273,734
3,634,765	3,876,330	4,730,175	6,036,692	8,128,191	7,269,310
114,361,618	95,148,851	94,884,033	94,843,600	108,437,341	111,174,626
2,971,533	7,941,256	4,135,767	7,297,723	23,145,655	107,671,523
146,386,942	132,200,667	128,450,429	133,068,279	165,680,997	253,291,072
63,871,301	59,999,277	66,585,995	69,235,499	71,895,798	75,891,505
10,488,113	10,310,889	10,475,725	11,101,413	11,938,642	17,591,317
14,833,052	14,973,046	15,183,909	15,644,842	15,661,983	16,031,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,309,146	1,501,314	1,132,388	1,210,881	1,419,816	1,723,497
2,662,708	32,250,518	7,412,395	7,932,525	12,942,811	19,668,084
93,164,320	119,035,044	100,790,412	105,125,160	113,859,050	130,905,811
239,551,262	251,235,711	229,240,841	238,193,439	279,540,047	384,196,883
7,097,754	7,628,806	14,692,607	16,611,124	18,998,372	18,635,543
36,210	39,400	42,135	35,905	39,722	1,200
424,813	434,049	429,444	427,789	434,638	466,335
100,730	97,283	110,753	124,003	111,979	106,776
112,735,654	93,629,158	99,476,140	93,982,567	97,479,921	103,321,427
1,541,294	1,204,851	1,311,294	1,190,330	1,163,712	392,204
121,936,455	103,033,547	116,062,373	112,371,718	118,228,344	122,923,485
361,487,717	354,269,258	345,303,214	350,565,157	397,768,391	507,120,368

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 135,964,547	143,489,932	143,639,154	138,721,838
Public safety	93,861,996	91,889,008	87,113,239	90,494,294
Public works	52,669,486	47,649,415	48,092,037	40,170,140
Parks and recreation	7,553,891	9,066,099	7,795,681	8,344,251
Public welfare	43,104,880	44,005,141	42,497,064	44,417,008
Education	212,504,699	226,520,024	213,633,155	179,064,673
Interest on long term debt	20,048,717	18,948,390	19,234,044	19,801,226
Depreciation and amortization - net unallocated portion	22,321,802	22,760,633	22,734,730	21,783,568
Total governmental activities	\$ 588,030,018	604,328,642	584,739,104	542,796,998
Business-type activities:				
Public Utilities	\$ 49,066,651	51,901,055	53,143,253	54,051,300
Chesapeake Transportation System	9,353,126	9,945,582	11,183,690	9,728,730
Stormwater Management	6,200,482	7,140,754	8,838,137	8,903,174
Northwest River Park	114,018	-	-	-
Jordan Bridge	1,368,308	2,074,693	181,365	-
Recreation	681,384	-	-	-
Total business-type activities	\$ 66,783,969	71,062,084	73,346,445	72,683,204
Total Primary Government	\$ 654,813,988	675,390,726	658,085,549	615,480,202
Component units				
Public Schools	\$ 495,669,077	500,750,043	486,073,626	474,747,371
Chesapeake Mosquito Control Commission	4,595,989	4,833,609	4,717,522	4,087,128
Economic Development Authority	3,529,822	2,380,983	2,232,533	1,521,383
Chesapeake Port Authority	15,404	12,479	8,619	38,752
Chesapeake Airport Authority	1,295,891	1,396,948	1,656,760	1,297,329
Elizabeth River Properties of Chesapeake, Inc.	70,361	107,633	110,503	116,800
Total component units	\$ 505,176,544	509,481,695	494,799,563	481,808,763
Net (Expense)/Revenue				
Governmental activities	\$ (454,780,872)	(460,836,399)	(452,485,553)	(398,136,145)
Business-type activities	24,367,667	18,042,630	8,421,496	21,212,355
Total Primary Government net expense	\$ (430,413,205)	(442,793,769)	(444,064,057)	(376,923,790)
Total component units net expense	\$ (406,795,335)	(414,424,889)	(396,562,927)	(372,341,357)

Table 2, Continued

Fiscal Years					
2012	2013	2014	2015	2016	2017
144,974,198	149,330,767	152,704,171	129,569,793	125,133,326	145,413,520
100,787,254	83,454,031	93,375,929	91,413,819	90,907,369	93,094,728
47,637,435	40,647,017	38,746,709	58,920,091	52,877,267	58,915,648
7,804,170	9,693,509	2,516,007	2,439,039	8,423,774	3,415,829
44,804,508	40,991,944	42,027,655	44,174,172	45,705,033	48,443,596
203,047,686	208,985,915	189,942,276	191,962,233	208,466,021	207,382,512
17,885,365	15,821,682	15,001,553	13,597,584	12,228,723	12,696,190
20,169,069	19,429,215	18,824,944	16,215,291	15,331,944	15,216,230
587,109,685	568,354,080	553,139,244	548,292,022	559,073,457	584,578,253
56,133,023	54,559,573	57,339,899	59,665,753	59,789,391	61,195,818
10,587,608	11,981,231	10,430,045	8,973,844	8,987,678	20,513,144
7,761,421	9,256,065	8,755,098	11,578,159	11,541,070	12,825,364
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
74,482,052	75,796,869	76,525,042	80,217,756	80,318,139	94,534,326
661,591,737	644,150,949	629,664,286	628,509,778	639,391,596	679,112,579
472,886,416	449,879,147	444,265,205	442,852,339	435,759,664	488,960,206
4,630,205	4,520,768	4,018,404	4,033,457	5,181,759	4,013,749
2,364,300	883,000	789,713	686,818	3,322,203	642,787
44,866	50,187	53,350	46,498	46,795	19,642
1,324,282	1,285,463	1,359,188	1,583,143	1,340,246	1,270,448
145,536	188,512	179,427	190,881	223,076	225,496
481,395,605	456,807,077	450,665,287	449,393,136	445,873,743	495,132,328
(440,722,743)	(436,153,413)	(424,688,815)	(415,223,743)	(393,392,460)	(331,287,181)
18,682,268	43,238,175	24,265,370	24,907,404	33,540,911	36,371,485
(422,040,475)	(392,915,238) #	(400,423,445)	(390,316,339)	(359,851,549)	(294,915,696)
(359,459,150)	(353,773,530) #	(334,602,914)	(337,021,418)	(327,645,399)	(372,208,843)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2008	2009	2010	2011
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 306,455,101	308,040,890	307,213,245	298,873,974
Local sales and use taxes	35,091,242	32,772,077	31,888,444	32,065,910
Business license taxes	24,381,697	23,960,628	22,022,114	23,030,916
Consumer utility taxes	23,556,638	10,016,340	10,115,683	10,312,035
Other taxes	41,183,079	47,569,929	48,297,304	49,341,676
Grants and contributions not restricted to specific programs	31,527,350	31,439,703	31,520,409	31,510,142
Unrestricted investment earnings	11,268,317	7,444,350	3,881,599	2,281,828
Miscellaneous	4,103,726	3,516,856	3,465,033	2,778,515
Transfers	2,143,668	370,150	3,133,630	160,429
Total governmental activities revenues & transfers	\$ 479,710,818	465,130,923	461,537,461	450,355,425
Business-type activities:				
Unrestricted investment earnings	\$ 140,994	64,430	1,269	-
Transfers	(2,143,668)	(370,150)	(3,133,630)	(160,429)
Total business-type activities revenues & transfers	\$ (2,002,674)	(305,720)	(3,132,361)	(160,429)
Total Primary Government revenues & transfers	\$ 477,708,144	464,825,203	458,405,100	450,194,996
Component Units:				
Payment from City	\$ 204,566,937	218,635,536	205,717,540	171,309,720
Grants and contributions not restricted to specific programs	170,014,139	183,774,094	155,771,193	152,297,184
Unrestricted investment earnings	4,065,837	1,764,666	1,105,263	591,149
Miscellaneous	2,747,274	3,811,315	1,363,181	1,065,443
Total component units	\$ 381,394,187	407,985,611	363,957,177	325,263,496
Change in Net Position				
Governmental activities	\$ 24,929,946	4,294,524	9,051,908	52,219,280
Business-type activities	22,364,993	17,736,910	5,289,135	21,051,926
Total Primary Government net change in net position	\$ 47,294,939	22,031,434	14,341,043	73,271,206
Total component units net change in net position	\$ (25,401,148)	(6,439,278)	(32,605,750)	(47,077,861)

Table 2, Continued

Fiscal Years					
2012	2013	2014	2015	2016	2017
293,799,799	288,743,868	298,879,122	305,738,657	311,753,152	323,945,517
33,751,538	34,451,337	35,389,855	37,236,136	38,134,836	39,192,394
24,752,986	24,268,792	25,068,518	25,684,602	25,432,077	26,124,990
10,027,978	10,258,697	10,450,356	10,624,686	10,549,605	10,631,194
50,533,368	50,956,443	50,985,268	52,988,967	55,170,564	55,182,708
31,646,114	31,739,924	31,725,721	31,873,268	32,200,518	32,146,547
2,400,850	162,669	1,538,560	1,688,206	2,212,618	2,307,567
3,123,243	2,961,604	2,871,351	3,718,394	3,593,743	2,936,430
471,873	5,295,381	(38,733)	190,553	167,124	(1,827,101)
450,507,749	448,838,715	456,870,018	469,743,469	479,214,237	490,640,246
-	-	-	-	-	-
(471,873)	(5,295,381)	38,733	(190,553)	(167,124)	1,827,101
(471,873)	(5,295,381)	38,733	(190,553)	(167,124)	1,827,101
450,035,876	443,543,334	456,908,751	469,552,916	479,047,113	492,467,347
195,333,708	201,293,387	182,260,318	184,457,843	200,669,966	199,801,485
137,894,439	151,059,807	147,665,810	155,306,935	154,989,654	163,341,019
333,931	86,192	168,006	242,790	262,926	450,365
1,188,152	792,217	1,046,806	1,146,129	950,105	987,988
334,750,230	353,231,603	331,140,940	341,153,697	356,872,651	364,580,857
9,785,006	12,685,302	32,181,203	54,519,726	85,821,777	159,353,065
18,210,395	37,942,794	24,304,103	24,716,851	33,373,787	38,198,586
27,995,401	50,628,096	56,485,306	79,236,577	119,195,564	197,551,651
(24,708,920)	(541,927)	(3,461,974)	4,132,279	29,227,252	(7,627,986)

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CITY OF CHESAPEAKE, VIRGINIA

Table 3

Fund Balances, Governmental Funds
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2008	2009	2010	2011	2012
General Fund					
Nonspendable	-	-	-	1,215,836	1,128,589
Restricted for cash flow emergencies	-	-	-	30,710,709	30,923,382
Restricted other	-	-	-	3,758,367	1,011,910
Committed for operating emergencies	-	-	-	25,592,084	25,769,311
Committed for emergency event response and recovery	-	-	-	20,000,000	20,000,000
Committed other	-	-	-	28,300,785	21,354,919
Assigned	-	-	-	9,217,166	1,288,513
Unassigned	-	-	-	19,406,510	33,445,706
Reserved:					
Expendable	\$ 31,281,093	33,004,234	25,528,781	-	-
Unreserved:					
Designated - cash flow emergencies	33,669,622	34,270,058	32,100,281	-	-
Designated - operating emergencies	28,058,018	28,558,382	26,783,568	-	-
Designated - General Fund	5,204,852	2,368,429	3,900,779	-	-
Undesignated	31,569,781	35,792,674	41,699,790	-	-
Total general fund	129,783,366	133,993,777	130,013,199	138,201,457	134,922,330
All Other Governmental Funds ¹					
Nonspendable	-	-	-	232,310	215,768
Restricted	-	-	-	43,324,930	38,624,448
Committed	-	-	-	37,283,577	35,592,442
Assigned	-	-	-	131,466,032	108,523,321
Unassigned	-	-	-	(30,855)	(21,229)
Reserved:					
Expendable	38,004,007	20,143,495	48,617,453	-	-
Nonexpendable	12,795	12,795	12,795	-	-
Unreserved:					
Designated - debt service	35,555,537	36,159,745	38,282,537	-	-
Designated - Special Revenue Funds	851,749	1,540,435	3,100,225	-	-
Undesignated - Capital Projects Fund	44,612,739	79,240,620	26,962,867	-	-
Undesignated - Special Revenue Funds	34,948,104	42,318,106	58,467,663	-	-
Undesignated - Permanent Funds	162,274	167,099	171,038	-	-
Total all other governmental funds	154,147,205	179,582,295	175,614,578	212,275,994	182,934,750
Total Governmental Funds	\$ 283,930,571	313,576,072	305,627,777	350,477,451	317,857,080

	Fiscal Years				
	2013	2014	2015	2016	2017
General Fund ²					
Nonspendable	\$ 1,173,244	1,189,121	1,433,615	1,559,275	1,311,843
Restricted for cash flow emergencies	30,923,382	31,310,247	31,981,331	32,623,282	33,795,931
Restricted other	833,686	700,071	468,823	540,507	4,725,626
Committed for operating emergencies	25,769,311	26,091,873	-	-	-
Committed for emergency event response and recovery	20,000,000	20,000,000	-	-	-
Committed for one time projects	-	-	34,275,685	46,901,273	56,288,856
Committed other	19,799,695	19,669,549	21,351,556	30,964,586	37,702,547
Assigned	4,364,542	1,677,416	5,416,979	9,832,438	5,292,608
Unassigned	40,797,644	52,230,084	63,962,662	65,246,428	67,591,862
Total general fund	143,661,504	152,868,361	158,890,651	187,667,789	206,709,273
All Other Governmental Funds					
Nonspendable	203,387	593,670	422,548	402,847	184,459
Restricted	34,357,794	40,383,450	39,598,073	46,583,273	48,811,144
Committed	27,181,725	25,246,730	54,059,196	48,759,647	51,053,591
Assigned	116,794,758	107,129,606	77,828,467	62,346,748	132,555,851
Unassigned	(146,211)	-	-	-	-
Total all other governmental funds	178,391,453	173,353,456	171,908,284	158,092,515	232,605,045
Total Governmental Funds	\$ 322,052,957	326,221,817	330,798,935	345,760,304	439,314,318

¹ Total Governmental Funds expendable minus General Fund expendable.

² With the implementation of the Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, the fund balance is divided into five categories: Nonspendable, Restricted, Committed, Assigned and Unassigned. Previously, fund categories were comprised of reserved, unreserved-designated and unreserved-undesignated. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

CITY OF CHESAPEAKE, VIRGINIA

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

	2008	2009	2010	2011
REVENUES				
General property taxes	\$ 303,752,471	305,829,730	304,947,151	296,632,594
Other local taxes	118,584,264	114,318,974	112,323,545	114,750,537
Licenses, permits and fees	8,320,450	7,803,173	7,575,603	7,972,072
Fines and forfeitures	3,571,138	2,335,259	2,028,178	2,261,473
Investment income	10,159,705	6,904,289	3,591,409	2,050,170
Revenues from use of property	821,971	848,257	804,015	778,597
Charges for services	15,356,589	16,237,073	18,153,264	18,828,633
Miscellaneous local revenues	2,579,045	4,352,154	3,173,343	1,794,641
Recovered costs	2,452,331	2,548,192	2,272,195	1,809,704
Program income	140,431	277,191	206,739	124,629
Revenues from local developers	1,088,464	705,995	831,779	412,363
Intergovernmental revenues:				
Commonwealth of Virginia	106,204,101	101,886,059	95,205,573	103,376,371
Federal government	19,646,487	17,117,982	19,485,307	31,301,818
Federal government - American Reinvestment and Recovery Act	-	3,188,902	9,012,210	7,508,761
Mosquito Control Commission	300,000	-	-	-
Chesapeake Public Schools	4,456,580	2,229,109	960,855	541,907
Total revenues	597,434,027	586,582,339	580,571,166	590,144,270
EXPENDITURES				
Current:				
General government	114,701,994	118,517,768	117,475,619	115,688,136
Public safety	91,538,720	88,970,424	87,356,259	89,830,242
Public works	52,950,476	52,872,322	54,166,903	48,602,743
Parks and recreation	7,827,906	8,889,221	8,364,559	8,397,383
Public welfare	41,520,684	43,289,297	42,255,922	44,026,969
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.	1,040,243	50,282	53,368	43,133
Education - Payments to Public Schools	204,566,937	218,635,536	205,717,540	171,309,720
General government - Payments to Mosquito Control Commission	-	-	-	-
Capital outlay	37,665,536	32,194,102	42,246,435	56,570,778
Debt service:				
Principal ¹	33,226,719	35,766,343	37,413,352	27,821,247
Interest	20,321,152	19,497,740	17,129,985	29,811,366
Total expenditures	605,360,367	618,683,035	612,179,942	592,101,717
Excess (deficiency) of revenues over (under) expenditures	(7,926,340)	(32,100,696)	(31,608,776)	(1,957,447)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	112,215,093	105,080,053	113,218,228	109,787,305
Proceeds from equipment capital leases	-	-	4,490,443	-
General obligation bonds issued	-	23,015,000	2,555,000	52,845,000
General obligation refunding bonds issued	-	17,255,000	-	-
Transfers to other funds	(117,513,581)	(105,121,391)	(109,862,086)	(116,595,421)
Payment to refunded bond escrow agent	-	(17,774,815)	-	-
Premiums on general obligation bonds issued	-	732,755	-	770,237
Premiums on refunding bonds issued	-	-	-	-
VPSA bond proceeds	9,490,000	34,285,000	12,280,000	-
Premiums on VPSA bonds	513,048	2,715,026	978,896	-
Total other financing sources (uses)	4,704,560	60,186,628	23,660,481	46,807,121
Net change in fund balances	\$ (3,221,780)	28,085,932	(7,948,295)	44,849,674
Debt service as a percentage of noncapital expenditures²	9.43%	9.42%	9.57%	10.76%

¹ Includes other debt related expenses

² Debt service as a percentage of noncapital expenditures is calculated as follows:

(debt service payments (principal and interest) / total expenditures less capital outlay expenditures)

Table 4

Fiscal Years					
2012	2013	2014	2015	2016	2017
293,402,936	290,256,858	295,012,634	303,776,731	309,687,694	321,436,947
119,065,871	119,935,269	121,893,999	126,534,391	129,287,082	131,131,286
8,307,084	8,091,767	8,526,755	8,744,557	8,984,478	8,976,982
2,675,066	3,000,462	2,689,990	2,585,943	2,497,583	2,324,124
2,252,138	220,723	1,417,282	1,533,894	2,026,798	2,122,324
898,374	895,198	946,050	876,770	953,199	963,352
17,862,425	17,754,480	18,047,555	19,459,056	22,356,868	22,919,619
2,129,706	2,400,427	4,542,690	3,080,064	3,791,848	3,820,723
2,036,718	1,736,917	1,853,213	2,790,430	2,188,833	1,842,339
158,692	69,815	649,715	138,654	257,538	640,718
585,076	669,054	809,803	1,617,834	1,062,059	1,135,388
106,086,317	103,681,099	105,987,373	108,369,232	116,529,745	121,239,674
35,562,794	19,525,713	15,611,161	15,175,831	19,863,946	18,526,865
2,262,536	1,769,751	1,853,891	888,431	892,605	889,080
-	-	-	-	1,250,000	-
269,357	119,662	146,377	213,430	235,270	404,392
593,555,090	570,127,195	579,988,488	595,785,248	621,865,546	638,373,813
118,108,161	114,270,761	116,553,224	112,021,828	112,965,759	118,097,428
97,250,186	90,042,746	89,357,145	94,467,782	93,772,637	97,964,884
49,987,411	53,610,904	50,867,236	60,880,687	59,339,632	59,041,469
8,251,131	8,237,407	8,705,783	9,767,667	10,382,616	10,479,224
44,353,875	41,062,109	41,755,349	44,677,723	46,735,975	48,235,096
33,625	-	-	-	-	-
195,333,708	201,293,387	182,260,318	184,457,843	200,669,966	199,801,485
347,408	-	-	-	-	-
67,227,782	26,928,990	27,565,329	29,755,807	56,329,436	58,432,829
40,084,951	42,023,919	56,969,642	41,354,583	28,911,589	24,816,589
18,612,948	16,496,449	15,151,883	14,093,015	12,608,768	11,832,061
639,591,186	593,966,672	589,185,909	591,476,935	621,716,378	628,701,065
(46,036,096)	(23,839,477)	(9,197,421)	4,308,313	149,168	9,672,748
95,800,084	97,153,386	82,474,033	95,845,901	71,832,037	81,270,597
-	-	-	(383,863)	-	-
-	-	-	-	-	76,640,000
76,840,000	-	13,175,000	-	-	5,190,000
(95,643,209)	(99,773,872)	(82,721,065)	(95,193,233)	(71,117,755)	(83,542,939)
(84,369,830)	-	-	-	-	(5,915,421)
5,786,007	-	438,313	-	-	9,478,205
-	-	-	-	-	760,824
14,170,000	26,690,000	-	-	12,170,000	-
832,673	3,997,373	-	-	1,927,919	-
13,415,725	28,066,887	13,366,281	268,805	14,812,201	83,881,266
(32,620,371)	4,227,410	4,168,860	4,577,118	14,961,369	93,554,014
10.26%	10.32%	12.84%	9.87%	7.34%	6.43%

CITY OF CHESAPEAKE, VIRGINIA

Table 5

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

		Fiscal Years				
		2008	2009	2010	2011	2012
Real Property Assessed Value ¹	\$	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769
Real Property Estimated Actual Value ¹		24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769
Personal Property Assessed Value ¹		1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997
Personal Property Estimated Actual Value ¹		1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740	1,821,013,997
Total Assessed Value		26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766
Total Direct Tax Rate ²		1.24	1.22	1.23	1.24	1.25
Estimated Actual Value		26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412	25,642,899,766
Ratio of Total Assessed Value to Total Estimated Actual Value		100.00%	100.00%	100.00%	100.00%	100.00%

		Fiscal Years				
		2013	2014	2015	2016	2017
Real Property Assessed Value ¹	\$	23,197,467,449	23,391,965,862	23,905,386,600	24,370,701,634	25,174,589,034
Real Property Estimated Actual Value ¹		23,197,467,449	23,391,965,862	23,905,386,600	24,370,701,634	25,174,589,034
Personal Property Assessed Value ¹		1,880,111,642	1,965,284,896	2,003,412,774	2,125,717,799	2,125,088,965
Personal Property Estimated Actual Value ¹		1,880,111,642	1,965,284,896	2,003,412,774	2,125,717,799	2,125,088,965
Total Assessed Value		25,077,579,091	25,357,250,758	25,908,799,374	26,496,419,433	27,299,677,999
Total Direct Tax Rate ²		1.26	1.27	1.27	1.28	1.27
Estimated Actual Value		25,077,579,091	25,357,250,758	25,908,799,374	26,496,419,433	27,299,677,999
Ratio of Total Assessed Value to Total Estimated Actual Value		100.00%	100.00%	100.00%	100.00%	100.00%

¹ Source: City of Chesapeake Commissioner of the Revenue

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

CITY OF CHESAPEAKE, VIRGINIA

Table 6

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

		Fiscal Years									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Estate ^{1,2}	\$	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Motor Vehicles		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles ⁴		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Handicap Vehicles		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Boats		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes ⁵		1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Machinery & Tools ⁴		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes ⁴		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate ⁶		1.24	1.22	1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.27

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

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

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

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

⁵ Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

⁶ The Direct tax rate is calculated using a weighted formula that includes the current tax rates of \$1.04 for real property and \$4.00 for personal property.

SOURCE: City of Chesapeake, Ordinances

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2017		Fiscal Year 2008	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 590,001,886	2.34%	\$ 629,981,255	2.55%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	94,179,800	0.37%	101,653,200	0.41%
CP Venture Two LLC	Shopping Center, Bank, Restaurant	61,697,500	0.25%	51,951,200	0.21%
Crossways Associates LLC	Apartment Complex	55,630,500	0.22%	-	-
JLP Chesapeake LLC	Retail and Vacant Land	50,693,500	0.20%	40,587,700	0.16%
JPMCC (Ches Sq Mall LLC)	Shopping Mall	49,151,700	0.20%	-	-
ICON Mars Prop Owner Pool	Warehouse/Office/Industrial Properties	48,043,300	0.19%	-	-
Walmart Stores East LP	Shopping Center	42,835,400	0.17%	-	-
Dollar Tree Distribution Inc	Retail, Distribution	38,219,600	0.15%	-	-
LCP Hampton Roads V LLC	Commercial Offices	36,239,800	0.14%	-	-
Chesapeake Mall LLC	Shopping Mall	-	-	81,824,000	0.33%
Liberty Property LTD	Shopping Center & Office Bldg	-	-	73,542,100	0.30%
Empirian Chesapeake LLC	Apartment Complex	-	-	57,363,700	0.23%
Woodlake Company Limited Ptnrshp	Apartment Complex	-	-	48,992,300	0.20%
CPRE 1 Bay LLC	Apartment Complex	-	-	35,204,300	0.14%
352 Commercial	Apartment Complex	-	-	30,679,500	0.12%
Total Top Ten Principal Taxpayers ¹		\$ 1,066,692,986	4.23%	\$ 1,151,779,255	4.65%
Total Assessed Valuation ²		\$ 25,174,589,034		\$ 24,740,116,412	

Source: ¹ City of Chesapeake Real Estate Assessor

² City of Chesapeake Commissioner of Revenue

CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Levies
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2008	2009	2010	2011	2012
Real Property ¹	\$ 252,360,481	258,241,894	256,686,437	244,714,892	239,592,086
Motor Vehicles	56,812,984	50,011,773	52,583,399	54,526,861	57,005,425
Motor Carriers	597,997	677,954	783,122	772,340	832,321
Recreation Vehicles	448,615	403,302	398,344	435,204	428,150
Boats	-	18,733	18,376	15,348	38
Business	10,339,218	10,665,984	10,907,821	11,110,574	10,871,320
Motor Homes	167,164	163,960	161,994	158,567	150,445
Machinery & Tools	2,481,580	2,673,382	2,467,120	2,656,780	2,525,561
Farm	122,233	124,263	122,016	124,308	125,153
Airplanes	38,278	40,165	52,265	49,359	44,540

	Fiscal Years				
	2013	2014	2015	2016	2017
Real Property ¹	\$ 232,728,788	234,953,853	240,400,500	246,824,270	254,741,865
Motor Vehicles	58,046,052	60,253,531	61,865,858	65,747,073	65,520,521
Motor Carriers	1,078,933	1,096,643	1,231,613	1,487,378	1,551,850
Recreation Vehicles	434,856	468,503	495,862	564,838	579,382
Boats	16,577	25,467	19,677	28,080	17,996
Business	10,823,401	11,393,593	11,588,129	11,514,150	12,497,273
Motor Homes	145,410	133,526	133,987	135,097	89,304
Machinery & Tools	2,807,478	2,840,962	2,697,358	2,803,960	2,666,692
Farm	137,745	136,734	145,217	160,854	150,138
Airplanes	40,719	51,540	45,349	51,958	45,729

¹ Public service corporation property is not included

Source: City of Chesapeake Commissioner of the Revenue

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CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

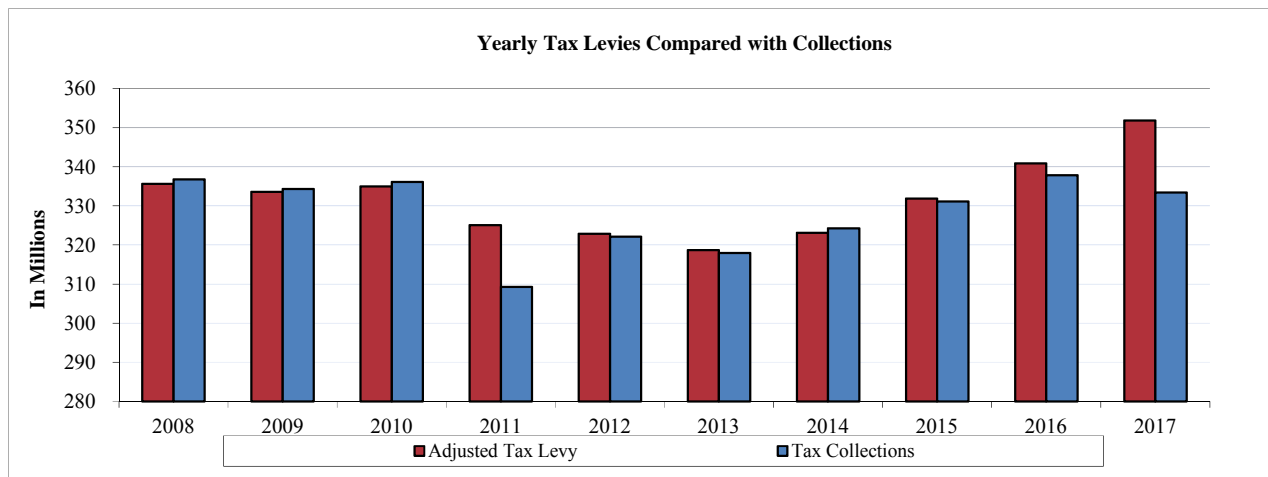
Fiscal Years	Original Levy	Adjusted Levy³	Collected in Initial Period^{1,2}	Percent of Levy Collected Within Fiscal Year of Levy	Collections in Subsequent Years¹	Cumulative Tax Collections	Cumulative Collections as a Percent of Adjusted Tax Levy
2008	\$ 333,265,029	335,672,237	320,625,461	96%	16,164,163	336,789,624	100%
2009	333,315,537	333,586,467	321,158,867	96%	13,219,763	334,378,630	100%
2010	335,044,180	335,000,692	322,313,673	96%	13,870,425	336,184,098	100%
2011	325,454,707	325,119,953	293,876,393	90%	15,416,278	309,292,671	95%
2012	322,131,965	322,915,229	307,325,140	95%	14,864,346	322,189,486	100%
2013	317,138,129	318,754,040	303,370,705	96%	14,617,257	317,987,962	100%
2014	322,052,626	323,134,607	309,803,612	96%	14,485,374	324,288,986	100%
2015	329,262,203	331,910,156	315,733,576	96%	15,394,118	331,127,694	100%
2016	338,408,560	340,880,764	323,578,869	96%	14,328,501	337,907,370	99%
2017	347,470,586	351,863,685	333,495,476	96%	-	333,495,476	95%

¹ Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit, and the Tax Increment Financing Funds.

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

³ Adjusted Levy reflects residual amount after exonerations and reassessments.

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

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

	Governmental Activities			
	2008	2009	2010	2011
General Obligation Bonds ^{5,6}	\$ 365,942,083	392,746,796	374,866,922	393,645,104
School Literary Loans	4,078,369	3,528,876	2,979,383	2,429,890
Installment Purchase Agreement	1,342,284	1,342,284	1,342,284	1,342,284
Section 108 Loans	1,415,000	1,095,000	755,000	390,000
Edinburgh Loan Payable	-	-	-	-
Supplemental Payments Agreement	22,065,000	20,925,000	19,735,000	18,495,000
Capital Leases to Component Unit	25,960,000	22,875,000	19,650,000	16,245,000
Capital Leases	8,903,865	5,173,336	7,065,815	4,572,549
Total Governmental Activities ¹	\$ 429,706,601	447,686,292	426,394,404	437,119,827

	Business-type Activities			
	2008	2009	2010	2011
General Obligation Bonds ^{2,5,6}	\$ 123,202,703	118,352,808	113,726,503	109,491,935
Utility Notes Payable	230,000	115,000	-	-
Revenue Bonds ^{5,6}	21,024,910	20,625,391	56,704,446	56,228,710
Due to the Commonwealth of Virginia	68,163,966	67,321,762	65,828,257	66,265,372
Total Business-type Activities	212,621,579	206,414,961	236,259,206	231,986,017
Total Primary Government Activities	\$ 642,328,180	654,101,253	662,653,610	669,105,844

Percent of Personal Income ³ 7.29% 7.36% 7.28% 6.99%

All Debt Per Capita ^{3,4} 2,871 2,904 2,919 2,992

¹ Represents net direct debt.

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

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

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

⁵ General obligation bonds and revenue bonds for governmental and business-type activities are reported net of premiums, discounts and refunding costs.

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

n/a = not yet available.

Table 10

Governmental Activities					
2012	2013	2014	2015	2016	2017
379,311,630	374,250,425	330,377,432	289,178,539	274,392,374	336,429,602
1,920,312	1,596,819	1,272,785	997,681	798,144	598,607
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
-	-	-	-	-	-
3,566,037	3,372,767	2,918,727	2,546,285	1,946,273	1,226,520
17,190,000	15,825,000	14,390,000	12,885,000	10,100,000	8,615,000
3,905,000	1,740,000	-	-	-	-
2,713,052	1,717,634	756,950	-	-	-
409,948,315	399,844,930	351,058,178	306,949,789	288,579,075	348,212,013

Business-type Activities					
2012	2013	2014	2015	2016	2017
104,530,235	102,400,760	96,811,378	90,125,836	83,545,253	78,431,500
-	-	-	-	-	-
54,994,987	193,293,117	205,804,863	249,214,950	300,932,845	313,548,582
63,210,753	63,483,912	64,252,400	65,044,115	65,859,760	66,700,057
222,735,975	359,177,789	366,868,641	404,384,901	450,337,858	458,680,139
632,684,290	759,022,719	717,926,819	711,334,690	738,916,933	806,892,152
6.20%	7.39%	6.74%	6.46%	n/a	n/a
2,765	3,322	3,101	3,041	3,124	3,370

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

General Bonded Debt Outstanding								
Fiscal Year	Governmental Activities General Obligation Bonds ^{1,5}	Business-type Activities General Obligation Bonds ^{1,4,5}	Total General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property ²	Per Capita ³
2008	\$ 365,942,083	123,202,703	489,144,786	4,078,369	1,342,284	494,565,439	1.86%	\$ 2,210
2009	392,746,796	118,352,808	511,099,604	3,528,876	1,342,284	515,970,764	1.89%	2,291
2010	374,866,922	113,726,503	488,593,425	2,979,383	1,342,284	492,915,092	1.81%	2,171
2011	393,645,104	109,491,935	503,137,039	2,429,890	1,342,284	506,909,213	1.94%	2,267
2012	379,311,630	104,530,235	483,841,865	1,920,312	1,342,284	487,104,461	1.90%	2,129
2013	374,250,425	102,400,760	476,651,185	1,596,819	1,342,284	479,590,288	1.91%	2,099
2014	330,337,432	96,811,377	427,148,809	1,272,785	1,342,284	429,763,878	1.69%	1,856
2015	289,178,539	90,125,836	379,304,375	997,681	1,342,284	381,644,340	1.47%	1,632
2016	274,392,374	83,545,253	357,937,627	798,144	1,342,284	360,078,055	1.36%	1,522
2017	336,429,602	78,431,500	414,861,102	598,607	1,342,284	416,801,993	1.53%	1,741

¹ General Obligation Bonds for Governmental and Business-type Activities are reported net of premiums, discounts, and refunding costs.

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

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

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

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

Debt Affordability Indicators
Last Ten Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000 .

The City's tax-supported debt service shall be limited to 10% of budgeted general governmental revenues. ¹

Fiscal Year	Overall Net Debt ²	Assessed Value of Taxable Real Property ³	Overall Net Debt to Assessed Value of Taxable Real Property	Population ⁴	Overall Net Debt Per Capita	Budgeted General Governmental Revenues ⁵	Overall Net Debt Service	Overall Net Debt Service to Budgeted General Governmental Revenues
2008	\$ 423,681,113	\$ 24,740,116,412	1.71%	223,743	\$ 1,894	\$ -	\$ -	-
2009	438,998,980	25,573,792,526	1.72%	225,255	1,949	-	-	-
2010	417,183,606	25,479,133,480	1.64%	226,995	1,838	-	-	-
2011	427,773,273	24,341,395,672	1.76%	223,647	1,913	-	-	-
2012	400,308,060	23,821,885,769	1.68%	228,835	1,749	513,630,194	61,313,863	11.94%
2013	382,862,836	23,197,467,449	1.65%	228,513	1,675	513,377,029	60,627,222	11.81%
2014	337,333,541	23,391,965,862	1.44%	231,542	1,457	533,122,006	60,853,346	11.41%
2015	295,259,842	23,905,386,600	1.24%	233,908	1,262	542,235,502	56,086,868	10.34%
2016	276,830,385	24,370,701,634	1.14%	236,538	1,170	552,192,580	42,008,224	7.61%
2017	327,984,560	25,174,589,034	1.30%	239,399	1,370	571,599,873	36,853,676	6.45%

¹ Policy adopted by resolution on February 27, 2007 and amended on May 12, 2015, commencing FY 2016 to include overall net debt service to budgeted general governmental revenues.

² Overall net debt excluding premiums, discounts, and refunding costs.

³ Source: Table 5

⁴ Population figures acquired from City of Chesapeake Planning Department estimates.

⁵ General Governmental revenues include General Fund, Conference Center, E-911 Operations, Greenbrier TIF, South Norfolk TIF, Conference Center, E-911 Operations Fund, Parks and Recreation, and Mosquito Control.

CITY OF CHESAPEAKE, VIRGINIA

Table 13

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

Fiscal Year	Total General Governmental Expenditures¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
2008	\$ 810,133,787	\$ 49,092,355	6.06%
2009	813,688,744	51,587,721	6.34%
2010	788,313,157	51,373,945	6.52%
2011	786,367,294	53,671,048	6.83%
2012	804,601,179	54,520,530	6.78%
2013	790,069,938	54,617,831	6.91%
2014	823,228,739	68,534,817 ³	8.33%
2015	827,830,607	52,540,073	6.35%
2016	815,582,062	39,459,982	4.84%
2017	840,174,358	36,648,650	4.36%

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

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

³ Includes \$13.5 million of bonded expenditure for the redemption of bonds that were refunded in April 2014.

CITY OF CHESAPEAKE, VIRGINIA

Table 14

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

Fiscal Year	Local Revenues ¹	Bonded Debt Expenditures ²	Ratio of Bonded Debt Expenditures To Local Revenues
2008	\$ 545,720,961	\$ 62,041,525	11.37%
2009	539,694,349	64,080,911	11.87%
2010	530,717,664	63,449,882	11.96%
2011	548,808,465	67,150,204	12.24%
2012	549,969,765	68,582,088	12.47%
2013	542,272,274 ⁴	66,406,955	12.25%
2014	560,717,795	79,181,410 ³	14.12%
2015	588,067,951	65,684,722	11.17%
2016	604,791,609	49,316,405	8.15%
2017	630,347,714	48,814,491	7.74%

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

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

³ Includes \$13.5 million in bonded debt expenditure for the redemption of bonds that were refunded in April 2014.

⁴ Amount restated.

CITY OF CHESAPEAKE, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years - Unaudited

Table 15

Fiscal Year	Debt Limit ¹	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2008	\$ 2,474,011,641	\$ 392,971,429	\$ 2,081,040,212	15.9%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%
2012	2,382,188,577	386,127,534	1,996,061,043	16.2%
2013	2,319,746,745	375,857,548	1,943,889,197	16.2%
2014	2,339,196,586	336,424,470	2,002,772,116	14.4%
2015	2,390,538,660	299,396,296	2,091,142,364	12.5%
2016	2,437,070,163	286,138,466	2,150,931,697	11.7%
2017	2,517,458,903	340,363,489	2,177,095,414	13.5%

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

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

Water and Sewer Systems							
Fiscal Year	Revenues ¹	Operating Expenses ²	Net Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS ³			Coverage ⁴
				Principal	Interest	Total	
2008	\$ 50,215,171	32,922,887	17,292,284	-	-	-	n/a
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76
2011	62,490,959 ⁵	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60
2012	61,960,470 ⁵	38,720,225	23,240,245	750,000	1,947,443	2,697,443	8.62
2013	60,824,884 ⁵	38,852,321	21,972,563	770,000	1,930,568	2,700,568	8.14
2014	67,418,806 ⁵	41,653,842	25,764,964	790,000	1,911,318	2,701,318	9.54
2015	70,193,594 ⁵	40,046,910	30,146,684	815,000	1,887,618	2,702,618	11.15
2016	72,939,176 ⁵	40,362,445	32,576,731	835,000	1,865,206	2,700,206	12.06
2017	77,077,017 ⁵	43,585,633	33,491,384	860,000	1,833,308	2,693,308	12.44

Chesapeake Expressway/Chesapeake Transportation System ⁶							
Fiscal Year	Toll Revenues	Operating Expenses ²	Net Toll Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS ⁷			Coverage ⁸
				Principal	Interest	Total	
2008	\$ 7,189,355	2,607,820	4,581,535	385,000	1,205,859	1,590,859	2.88
2009	6,890,532	2,965,959	3,924,573	410,000	1,183,500	1,593,500	2.46
2010	7,086,364	2,803,534	4,282,830	430,000	1,159,875	1,589,875	2.69
2011	8,119,694	2,880,655	5,239,039	455,000	1,134,984	1,589,984	3.30
2012	10,393,888	2,760,383	7,633,505	480,000	1,108,688	1,588,688	4.80
2013	10,275,031	2,817,156	7,457,875	-	466,388	466,388	15.99
2014	10,450,019	2,683,507	7,766,512	-	707,318	707,318	10.98
2015	11,024,004	3,165,665	7,858,338	-	724,250	724,250	10.85
2016	11,835,168	3,452,690	8,382,478	-	724,250	724,250	11.57
2017	17,334,638	5,612,099	11,722,539	-	1,296,320	1,296,320	9.04

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

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

³ As of June 30, 2005, all revenue bonds for the Water Sewer System had been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. Revenue bonds were issued in April 2010 under a new Indenture of Trust.

⁴ As of fiscal year 2010, net revenues shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt.

⁵ The transfers to the Rate Stabilization Fund for the fiscal years 2011 and 2012 were \$5.2 million and \$3.0 million, respectively. There were no transfers in fiscal years 2013 through 2017.

⁶ Beginning with fiscal year 2014, the financial information is presented to be consistent with the applicable Indenture of Trust. In fiscal year 2013, a new Indenture of Trust was created for the Chesapeake Transportation System and all outstanding Chesapeake Expressway bonds were refunded.

⁷ Beginning with fiscal year 2013, debt payments made July 15 are treated as due the previous fiscal year. Additionally, debt service shall not include the principal and interest on outstanding bonds to the extent that they are paid from bond proceeds or investment earnings on such proceeds.

⁸ From 2007 to 2012, net toll revenues shall be sufficient in each fiscal year to equal 125% (or 1.25 times) annual debt service. Beginning in fiscal year 2013, net toll revenues shall be sufficient in each fiscal year to equal 130% (or 1.3 times) annual debt service.

CITY OF CHESAPEAKE, VIRGINIA

Table 17

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ²	School Enrollment ³	Chesapeake Unemployment Rate ⁴	Virginia Unemployment Rate ⁴
2008	223,743	\$ 8,810,046	\$ 39,988	39,026	3.3%	3.3%
2009	225,255	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	9,103,000	40,812	38,864	6.8%	7.0%
2011	223,647	9,565,620	42,504	38,668	6.6%	6.5%
2012	228,835	10,205,818	44,681	38,421	6.3%	6.0%
2013	228,513	10,274,744	44,562	38,591	5.8%	5.6%
2014	231,542	10,645,488	45,616	38,685	5.3%	5.3%
2015	233,908	11,010,828	46,769	38,678	5.0%	4.9%
2016	236,538	n/a	n/a	38,935	4.3%	4.1%
2017	239,399	n/a	n/a	39,153	4.2%	4.0%

n/a - Information not yet available

Sources:

¹ City of Chesapeake Planning Department Estimates (2008 - 2016). For fiscal year 2011 the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts are the basis for future population estimates generated by the Planning Department during this decade.

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

³ Chesapeake Public Schools

⁴ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year, not seasonally adjusted - restated through December 2014)

CITY OF CHESAPEAKE, VIRGINIA

Table 18

Principal Employers
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2017		Fiscal Year 2008	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,711	5.02%	5,828	5.20%
City of Chesapeake ³	Government	3,758	3.30%	3,368	3.00%
Chesapeake Regional Medical Center	Hospital and healthcare services	2,130	1.87%	-	0.00%
Cox Communications	Hampton Roads headquarters/customer care center	1,250	1.06%	-	0.00%
Sentara Health	Home care nursing	1,200	1.10%	-	0.00%
Capital One	Credit intermediation and related activities	1,000	0.88%	-	0.00%
Dollar Tree Stores	Corporate head quarters/distribution facility	850	0.75%	-	0.00%
QVC Chesapeake Inc	Phone center/order processing facility	690	0.61%	-	0.00%
Canon Information Technology Service Inc	Technical and consumer support	560	0.49%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration service center	520	0.46%	-	0.00%
Oceaneering International	Transportation equipment manufacturing	500	0.44%	-	0.00%
Tecnico Corporation	Support activities for water transportation	500	0.44%	-	0.00%
Walmart	Discount department retailer	-	0.00%	-	0.00%
First Data Resources Inc	Card processing center	-	0.00%	-	0.00%
Tidewater Staffing	Professional services	-	0.00%	-	0.00%
Serco Inc	Facilities support management services	-	0.00%	-	0.00%
Flowserve US Inc	Industrial materials manufacturing	-	0.00%	-	0.00%
LifeTouch National School	School photography processing plant	-	0.00%	-	0.00%
Tidewater Fibre Corp	Scrap and waste materials	-	0.00%	-	0.00%
HSBC - Household International	Regional processing center for financial services	-	0.00%	-	0.00%
LTD Management Co LLC Marketing	Hotel development and management	-	0.00%	-	0.00%
LTD Management LLC	Hotel development and management	-	0.00%	-	0.00%
EDS	National employee benefits administration service center	-	0.00%	-	0.00%
Reliance Staffing Services	Employment supply service	-	0.00%	-	0.00%
YMCA of South Hampton Roads	Youth and community development	-	0.00%	-	0.00%
Maersk Distribution Services, Inc	Gateway commerce	-	0.00%	-	0.00%
United States Coast Guard Finance Center	Financial service and data warehousing	-	0.00%	-	0.00%
		18,669	16.42%	9,196	8.20%
Total Employment ²		113,727		112,090	

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

¹ Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

² Source is Bureau of Economic Analysis, an agency of the U.S. Department of Commerce

³ Source is Budget Department

Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of the actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2007 through 2013 to tie to the approved Operating Budget documents.

CITY OF CHESAPEAKE, VIRGINIA

Table 19

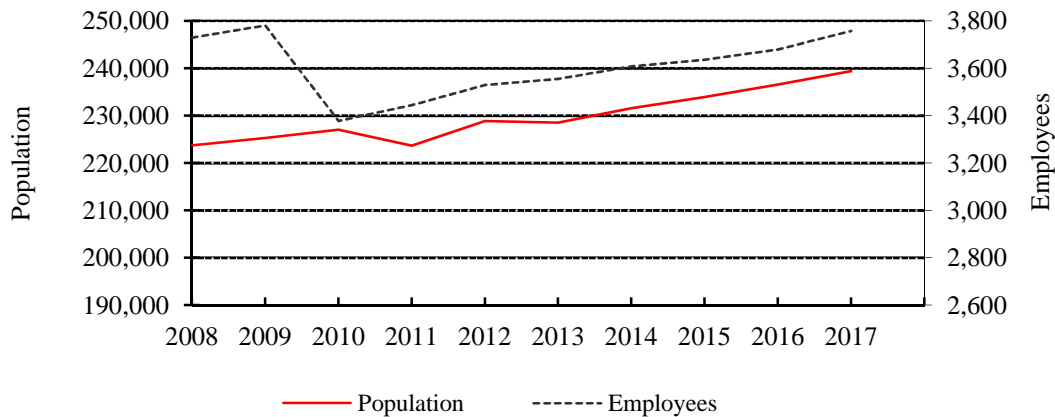
Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees ²	Employees Per 1,000 Population
2008	223,743	3,730	16.7
2009	225,255	3,781	16.8
2010	226,995	3,378	14.9
2011	223,647	3,444	15.4
2012	228,835	3,530	15.4
2013	228,513	3,555	15.6
2014	231,542	3,608	15.6
2015	233,908	3,636	15.5
2016	236,538	3,680	15.6
2017	239,399	3,758	15.7

Sources: ¹ City of Chesapeake Planning Department Estimates (2008 - 2017)

² Authorized full-time equivalent positions per approved fiscal year Operating Budget for the year indicated

Population and Employee Figures



Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2008 through 2017 to tie to the approved Operating Budget documents.

Authorized Full-Time Equivalent City Government Employee Positions by Department
Last Ten Fiscal Years - Unaudited

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Department										
General Government										
Management Services	46	45	43	42	42	42	41	43	45	48
Economic Development ^{1,3}	95	95	58	69	76	80	44	34	34	35
Finance	27	27	25	24	25	24	27	28	28	29
Information Technology	61	61	58	59	61	58	56	57	57	54
Human Resources	23	21	18	20	21	20	21	23	24	23
Budget	7	7	6	7	7	6	6	6	6	6
Agriculture	8	8	8	7	7	6	6	6	6	6
Development & Permits ¹	-	-	82	73	77	75	73	80	80	75
Other	156	156	151	148	235	240	251	246	245	251
Police	563	565	542	543	552	548	549	552	552	564
Sheriff	400	413	405	407	406	398	400	400	404	417
Fire	445	445	439	428	438	443	443	446	446	447
Integrated Behavioral Health	200	217	192	207	210	248	245	245	246	266
Community Programs ^{1,5}	66	69	19	24	24	23	10	11	11	11
Public Works ^{1,2}	524	505	420	420	446	451	451	463	468	476
Parks, Recreation & Tourism ^{2,3,4}	143	155	93	110	177	172	246	230	236	242
Library	133	138	84	119	122	123	123	125	125	125
Public Utilities	211	215	207	208	208	208	209	212	222	233
General Services ²	168	169	113	134	-	-	-	-	-	-
Justice	82	88	82	84	84	84	84	84	83	83
Health & Human Services ⁵	372	382	333	311	312	306	323	345	362	367
Total	3,730	3,781	3,378	3,444	3,530	3,555	3,608	3,636	3,680	3,758

Source: Authorized full time equivalent positions per approved fiscal year Operating Budgets for the year indicated

¹ The Development and Permits section of Public Works Engineering was merged with the Neighborhood Services division of Community Programs to form the new Department of Development and Permits in fiscal Year 2010

² The Department of General Services was absorbed into Parks and Recreation, Economic Development and Public Works in fiscal year 2012

³ Conference Center and Conventions & Tourism was moved from Economic Development to form the Department of Parks, Recreation and Tourism during fiscal year 2014

⁴ A contractor was hired by the City to manage the Conference Center in April 2014

⁵ Community Programs became a division of the Human Services Department in fiscal year 2014

Note: Fiscal year 2010 does not include data for part-time employees.

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Function/Program					
General Government					
Building Permits Issued	4,843	3,947	3,481	3,973	4,199
Building Inspections Conducted	9,452	7,251	7,417	8,085	8,744
Electrical Permits Issued	3,578	3,028	4,926	3,194	2,911
Electrical Inspections Performed	11,339	8,411	7,857	8,842	7,968
Plumbing Permits Issued	1,738	1,418	1,490	1,530	1,402
Plumbing Inspections Performed	7,441	4,569	5,849	5,639	5,261
Mechanical/Gas Permits Issued	4,655	4,021	4,688	4,390	4,268
Mechanical/Gas Inspections Performed	10,241	7,028	8,339	8,039	7,821
Code Compliance Inspections	25,568	19,899	21,580	17,183	16,612
Police					
Calls for Police Service ⁷	159,180	156,618	136,811	120,216	126,508
Part I Law Violations	8,270	8,640	9,338	8,534	7,914
Total Criminal Charges (primary and secondary)	16,083	18,190	17,685	16,148	16,773
Total Traffic Charges (moving/ non-moving/excludes DUI)	31,547	34,841	38,555	38,810	35,666
DUI Arrests ⁵	721	830	735	951	1,216
Fire					
Calls answered for Fire Protection Services	25,152	24,839	25,051	24,916	25,268
Public Works					
Refuse Collected (tons per year)	114,145	110,931	111,348	93,171	94,184
Street Resurfacing (miles)	35.56	36.87	41.99	32.76	44.33
Potholes Repaired	3,047	4,717	7,249	9,980	8,367
Water					
Active Service Accounts	60,923	61,243	61,713	62,029	62,333
Daily Average Consumption in Gallons (in mgd)	16.19	16.96	16.88	17.20	16.30
Daily Average Water Provided by Chesapeake (in mgd)	10.69	11.14	10.66	11.10	10.10
Daily Average Water Purchased from other localities (in mgd)	5.50	5.82	6.22	6.10	6.19
Wastewater					
Active Service Accounts	59,126	59,437	59,909	60,154	60,449
Parks and Recreation					
Youth Athletics - Participants	7,002	6,261	5,819	5,140	4,884
Youth Athletics - Teams	537	506	481	433	413
Youth Athletics - Coaches	1,062	915	834	727	664
Adult Athletics - Participants	3,924	4,095	3,999	3,639	3,070
Adult Athletics - Teams	227	237	228	218	189
Special Programs Athletics - Programs ⁴	7	6	3	1	2
Leisure Classes - Youth Participants	1,580	2,372	1,901	1,249	1,159
Leisure Classes - Adult Participants	614	1,301	855	703	787
Leisure Classes - Community Program Participants ¹	63,892	3,346	3,386	3,277	3,644
Special Events - PR&T Sponsored Attendance ⁶	26,915	27,775	28,095	34,328	20,525
Community Center Attendance ²	188,276	189,700	202,884	361,059	425,108
Community Center ID Sales	7,604	8,314	8,086	9,518	7,060
Community Center Rentals	1,157	1,328	1,340	1,637	2,092
Senior Program Participants	15,982	21,742	23,478	18,337	21,664
Therapeutic Program Participants	2,760	2,014	2,113	2,563	1,094
Library					
Items Checked Out	2,010,415	2,365,984	2,526,633	2,600,964	2,561,515
Interlibrary Loans - Borrowed	1,269	1,189	1,151	605	311
Interlibrary Loans - Loans	2,467	2,841	2,298	1,350	878
Library Collection	699,943	598,224	566,744	575,462	580,046
Patron Visits	1,491,973	1,623,514	1,520,528	1,392,890	1,410,177
Website Visits	779,001	394,623	433,480	433,889	472,836
Registered Patrons	227,348	161,373	139,821	130,989	154,252
Total Programming	2,987	3,205	3,237	3,138	3,054
Total Programming - Participants	78,256	66,313	71,425	64,416	58,945
Typewriter Use	540	409	641	681	660
Public Computer Use	596,540	651,984	682,863	636,072	565,386
Bookmobile - Patrons ³	16,219	15,348	14,390	6,176	9,645
Bookmobile - Number of Stops ³	1,331	1,291	1,324	448	492
Bookmobile - Miles Driven ³	8,240	7,415	7,510	2,186	2,339
Schools					
Student Enrollment	39,026	38,868	38,864	38,668	38,421

Source: Various City Departments

n/a - Information not available

¹ Summer Food Service Program was transferred to Schools in FY09.

² Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs

³ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need. Effective FY17 bookmobile no longer in service

⁴ Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)

⁵ Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel

⁶ Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events

⁷ Beginning in FY17, this number is based on reports from the new RMS system allowing the count to exclude services such as officers signing into court, traffic stops, etc.

CITY OF CHESAPEAKE, VIRGINIA

Table 21

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Function/Program					
General Government					
Building Permits Issued	3,940	3,602	3,900	4,758	4,758
Building Inspections Conducted	9,933	10,301	9,414	8,780	13,311
Electrical Permits Issued	2,994	3,000	2,846	3,181	3,148
Electrical Inspections Performed	9,151	7,810	8,586	9,283	8,641
Plumbing Permits Issued	1,260	1,389	1,722	2,312	1,869
Plumbing Inspections Performed	5,724	5,743	6,298	9,275	8,377
Mechanical/Gas Permits Issued	5,016	5,339	5,279	6,945	5,713
Mechanical/Gas Inspections Performed	8,678	10,040	9,767	11,145	10,832
Code Compliance Inspections	14,397	13,775	16,500	12,875	14,678
Police					
Calls for Police Service ⁷	124,261	128,733	130,371	129,340	102,041
Part I Law Violations	7,122	7,431	7,375	6,203	6,439
Total Criminal Charges (primary and secondary)	17,078	15,681	14,358	15,363	16,894
Total Traffic Charges (moving/ non-moving/excludes DUI)	35,976	35,011	35,310	33,201	32,627
DUI Arrests ⁵	1,187	1,004	622	638	606
Fire					
Calls answered for Fire Protection Services	26,508	26,784	27,838	30,072	29,914
Public Works					
Refuse Collected (tons per year)	91,908	91,313	95,950	95,309	94,148
Street Resurfacing (miles)	50.00	29.21	38.10	67.00	45.67
Potholes Repaired	11,110	10,777	13,463	11,765	10,438
Water					
Active Service Accounts	62,504	63,090	63,491	64,171	66,249
Daily Average Consumption in Gallons (in mgd)	15.57	16.44	15.27	14.64	14.83
Daily Average Water Provided by Chesapeake (in mgd)	11.27	11.42	9.06	8.66	8.55
Daily Average Water Purchased from other localities (in mgd)	5.81	6.43	6.21	5.98	6.13
Wastewater					
Active Service Accounts	60,831	61,426	61,822	62,514	64,422
Parks and Recreation					
Youth Athletics - Participants	4,279	4,401	4,314	4,780	5,351
Youth Athletics - Teams	370	406	379	433	473
Youth Athletics - Coaches	612	487	674	708	838
Adult Athletics - Participants	2,560	2,256	2,363	2,947	2,230
Adult Athletics - Teams	172	151	162	164	149
Special Programs Athletics - Programs ⁴	3	6	4	5	4
Leisure Classes - Youth Participants	1,196	1,371	1,025	1,272	1,588
Leisure Classes - Adult Participants	712	718	619	609	287
Leisure Classes - Community Program Participants ¹	3,773	4,434	1,955	1,794	1,225
Special Events - PR&T Sponsored Attendance ⁶	29,375	31,025	44,525	83,141	101,350
Community Center Attendance ²	407,456	409,178	410,657	408,274	413,252
Community Center ID Sales	6,474	6,561	6,499	6,927	6,409
Community Center Rentals	2,054	1,929	1,590	1,546	1,455
Senior Program Participants	19,855	16,475	15,030	13,686	10,786
Therapeutic Program Participants	1,707	2,968	3,493	3,716	3,611
Library					
Items Checked Out	2,352,046	2,208,274	2,021,708	1,954,756	1,782,003
Interlibrary Loans - Borrowed	216	259	252	226	204
Interlibrary Loans - Loans	246	293	145	101	174
Library Collection	534,037	493,340	471,183	451,422	429,825
Patron Visits	1,287,912	1,255,427	1,176,510	1,124,284	1,150,782
Website Visits	453,106	406,741	408,087	603,517	699,502
Registered Patrons	162,903	158,952	163,502	186,336	185,417
Total Programming	3,928	4,332	4,220	3,810	3,852
Total Programming - Participants	78,575	100,217	133,221	64,031	103,252
Typewriter Use	880	371	144	82	117
Public Computer Use	541,384	437,362	462,942	374,827	309,202
Bookmobile - Patrons ³	10,232	11,605	6,718	6,649	n/a
Bookmobile - Number of Stops ³	515	576	862	323	n/a
Bookmobile - Miles Driven ³	1,982	1,444	1,478	1,487	n/a
Schools					
Student Enrollment	38,591	38,685	38,678	38,935	39,153

Source: Various City Departments

n/a - Information not available

¹ Summer Food Service Program was transferred to Schools in FY09.² Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs³ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need. Effective FY17 bookmobile no longer in service⁴ Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)⁵ Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel⁶ Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events⁷ Beginning in FY17, this number is based on reports from the new RMS system allowing the count to exclude services such as officers signing into court, traffic stops, etc.

CITY OF CHESAPEAKE, VIRGINIA

Table 22

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Police										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	193	194	235	203	198	222	206	213	206	221
Fire Stations	15	15	15	15	15	15	15	15	15	15
Public Works										
Refuse Collection										
Collection Trucks	61	60	60	52	52	61	57	60	57	57
Other Public Works										
Storm Sewers (miles)	1,100	1,100	1,100	1,100	1,100	1,150	1,200	1,650	1,684	1,730
Streets (miles)	2,329	2,346	2,354	2,364	2,361	2,700	2,366	2,372	2,376	2,364
Streetlights	22,634	23,432	23,763	23,874	23,759	23,706	23,790	24,045	24,457	24,785
Water										
Water Mains (miles)	818	824	821	828	829	832	833	840	844	853
Fire Hydrants ¹	5,140	5,201	5,270	5,339	5,365	5,398	5,411	5,508	5,592	5,681
Wastewater										
Sanitary Sewers (miles)	1,048	1,053	1,053	1,057	1,060	1,062	1,065	1,072	1,083	1,091
Sewage Pumping Stations	262	262	263	264	262	262	269	271	271	273
Parks and Recreation										
Park Acreage	2,262	2,262	2,322	2,322	2,322	2,349	2,349	2,450	2,450	2,454
Parks and Play Areas	67	67	70	70	70	71	71	71	72	77
Athletic Fields/Tennis Courts	199	203	226	226	228	228	228	228	239	239
Community Centers	8	8	8	8	8	8	8	8	8	8
Specialized Centers	4	4	4	5	5	5	5	5	5	5
Schools										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	17	17	17	17	17	17	17	17	17	17
Educational Centers	3	3	2	3	3	3	2	2	2	2

Source: Various City Departments

¹ Updated in FY 2016 per Public Utilities GIS system

COMPLIANCE SECTION



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2017

Schedule U-1

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Expenditures
Department of Agriculture:				
Direct payments:				
Food and Nutrition Service:				
Summer Food Service Program for Childrer			10.559	\$ 108,176
Pass-through payments:				
Virginia Department of Agriculture and Consumer Services				
Food Distribution - commodities value - Schools' Food Services		N/A	10.555	826,959
Food Distribution - commodities value - Detention Home		N/A	10.555	46,629
Virginia Department of Education:				
School Breakfast Program		N/A	10.553	2,365,579
National School Lunch Program		N/A	10.555	5,557,989
Summer Food Service Program for Childrer		N/A	10.559	282,991
Subtotal by Child Nutrition Cluster (10.553/10.555/10.559)				9,188,323
Virginia Department of Education:				
Child and Adult Care Food Program		N/A	10.558	9,284
Virginia Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		0010115, 0010116	10.561	2,035,036
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAF			10.596	12,413
Virginia Department of Forestry:				
Department of Forestry and the US Forest Service		15UCF23	10.664	4,750
Total Department of Agriculture				11,249,807
Department of Housing and Urban Development:				
Direct payments:				
Community Development Block Grant Program				
Program Year 2013			14.218	89
Program Year 2014			14.218	82,075
Program Year 2014	Children's Harbor		14.218	19,480
Program Year 2014	CRHA		14.218	7,496
Program Year 2014	Habitat for Humanity		14.218	4,592
Program Year 2015			14.218	466,343
Program Year 2015	Children's Harbor		14.218	43,302
Program Year 2015	CRHA		14.218	70,490
Program Year 2015	Tidewater Builders Association		14.218	4,200
Program Year 2016			14.218	130,563
Program Year 2016	Children's Harbor		14.218	33,660
Program Year 2016	CRHA		14.218	8,007
Program Year 2016	ForKids, Inc.		14.218	102,550
Program Year 2016	Tidewater Builders Association		14.218	10,000
Subtotal by Community Development Block Grant Program				982,846
HOME Investment Partnerships Program:				
Program Year 2011	CRHA		14.239	678
Program Year 2014	CRHA		14.239	172,590
Program Year 2015	CRHA		14.239	251,814
Subtotal by HOME Investment Partnerships Program				425,081
Total Department of Housing and Urban Development				1,407,928
Department of Health and Human Services:				
Pass-through payments:				
Department of Mental Health, Mental Retardation and Substance Abuse				
Block Grants for Community Mental Health Service:		N/A	93.958	171,747
Block Grants for Prevention and Treatment of Substance Abuse		N/A	93.959	744,317
Virginia Department of Social Services				
2017 Promoting Safe and Stable Families Grant		0950114, 0950115	93.556	63,843
Promoting Safe and Stable Families		0950114, 0950115	93.556	38,718
Temporary Assistance for Needy Familie:		0400115, 0400116	93.558	1,539,635
Refugee and Entrant Assistance, State Administered Program:		0500115, 0500116	93.566	4,249
Low-Income Home Energy Assistance		0600415, 0600416	93.568	161,254
Child Care and Development Block Grant			93.575	(200)
Child Care Mandatory and Matching Funds of the Child Care and Development Fun			93.596	234,328
Adoption Incentive Payments			93.603	2,050
Stephanie Tubbs Jones Child Welfare Services Program			93.645	1,931
Foster Care, Title IV-E		1100115, 1100116	93.658	1,172,857
Adoption Assistance		1120115, 1120116	93.659	894,493
Social Services Block Grant		1000115, 1000116	93.667	955,785
Chafee Foster Care Independence Program			93.674	9,331
Children's Health Insurance Program			93.767	86,785
Virginia Department of Social Services				
Medical Assistance Program (Medicaid: Title XIX		1200115, 1200116	93.778	2,641,700
Virginia Department of Education:				
Medical Assistance Program (Medicaid: Title XIX		N/A	93.778	661,636
Subtotal by Medical Assistance Program				3,303,336
Total Department of Health and Human Services				9,384,458
Department of Defense:				
Direct payments - Navy:				
Department of Defense Impact Aid			12.558	647,130
Support for Student Achievement at Military Connected Schools/SPED (DODEA Algebra)			12.556	281,234
Support for Student Achievement at Military Connected Schools/SPED (DODEA SPED)			12.557	43,830
Pass-through payments:				
Department of Education:				
Payments to States in Lieu of Real Estate Taxes			12.112	27,398
Total Department of Defense				999,592

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2017

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number
Department of Justice:			
Direct payments:			
Drug Control and System Improvement:			
Asset Forfeiture Transfer - Office of Attorney General			16.578 10,933
Asset Forfeiture Transfer for Sheriff Dept- OAG			21.000 105,439
Asset Forfeiture-OAG-VA Rules Camp			16.578 3,960
Asset Forfeiture- BJA Grant			16.578 28,182
Subtotal by Federal Surplus Transfer Program			148,513
Forfeited Asset Sharing Program - Drug Enforcement			16.579 32,289
Equitable Sharing Program - Prosecutor's Office			16.922 5,513
Subtotal by Equitable Sharing Program			37,802
Pass-through payments:			
Policing in the 21st Century			16.738 3,791
Victim Witness			16.575 393,397
Court Appointed Special Advocates			16.575 22,306
Juvenile Accountability Block Grant			16.523 20,461
State Criminal Alien Assistance Program (SCAAP)		2015-AP-BX-0355	16.606 11,233
Bureau of Justice Assistance - Edward Byrne Grant Program:			
Fiscal Year 2015			16.738 20,177
Fiscal Year 2016			16.738 60,066
Fiscal Year 2017			16.738 50,868
Subtotal by Edward Byrne Memorial Justice Assistance Program			131,111
Total Department of Justice			768,614
Social Security Administration			
Direct payments:			
Social Security-Work Incentives Planning and Assistance Program			96.008 200
Total Social Security Administration			200
U.S. Department of Transportation:			
Pass-through payments:			
Virginia Department of Transportation:			
Federal Highway Administration - Planning and Construction			
Ballahack Boat Ramp Area Improvement			20.205 316
Battlefield Visitor Center			20.205 7,042
Great Dismal Swamp Tr Ph 1			20.205 17,820
Gum Road		EN99-131-128	20.205 50,918
Portsmouth Blvd Phase 4		0337-131-104	20.205 1,949,823
Rt17/SteelBridge/Dominion Blvd		6017-131-109	20.205 6,508,023
Safe Roads to School Division Coordinator		107,878	20.205 63,437
Traffic Mgmt Center and System		U000-131-S52	20.205 1,465,092
Subtotal by Highway Planning and Construction Program			10,062,471
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants			
Fiscal year 2016 - Selective Enforcement - Alcohol		154AL-2016-56215-6415	20.607 3,885
Fiscal year 2017 - Selective Enforcement - Alcohol			20.607 5,691
Subtotal by Alcohol Open Container Requirements Program			9,576
Fiscal year 2016 - Selective Enforcement Occupant Protection		OP-2016-56273-6473	20.616 2,865
Fiscal year 2017 - Selective Enforcement Occupant Protection			20.616 6,954
Subtotal by National Priority Safety Program			9,820
Total U.S. Department of Transportation			10,081,867
Department of Homeland Security:			
Pass-through payments:			
Virginia Department of Emergency Management:			
Hazardous Mitigation - Severe Rep Loss		FMA 2013-VA-002	97.029 9,801
FEMA-PJ-03-VA-2014-005			97.029 7,200
FEMA-03-VA-2015-001			97.029 1,068,520
Hazardous Mitigation Grant - 2014		HMGP-4024-550-016	97.039 1,674
Hampton Roads Incident Management Team			97.029 10,558
Hampton Roads Urban Area Initiative			97.029 2,285
City of Va Beach - FEMA - VATF2			97.036 53,616
Local Emergency Management Planning Grant - 2015		N/A	97.042 (396)
Local Emergency Management Planning Grant - 2016		N/A	97.042 (59)
Local Emergency Management Planning Grant - 2017		N/A	97.042 70,245
Subtotal by Emergency Management Performance Grants			69,790
Port Security Grant - 2015			97.056 331,876
SHSP Citizens Corp Grant		6,167	97.067 (3,285)
SHSP Citizen Preparedness		15VA-HSGP-0544	97.067 7,528
2014 SHSP Communication Cache		N/A	97.067 6,359
SHSP Incident Management Team		N/A	97.067 4,652
SHSP Enclosed Dive Trailer			97.067 60,000
2015 SHSP Hazardous Material Team Sustainment			97.067 12,862
2016 SHSP MOB Emergency Water Supply		N/A	97.067 14,783
2014 UASI IMT Grant		N/A	97.067 12,160
2015 SHSP HRIMT Sustainment			97.067 125,961
2016 SHSP HRIMT Sustainment			97.067 680
2015 SHSP Foam Team Training		N/A	97.067 48,031
2015 SHSP Radio Cache Sustainment		15VA-HSGP-0560	97.067 32,612
2016 SHSP Radio Cache Sustainment			97.067 10,991
2016 SHSP Mobile Emergency Water Supply		N/A	97.067 48,149
Subtotal by Homeland Security Grant Program			381,482
Total Department of Homeland Security			1,936,802

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ended June 30, 2017

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	
Department of the Interior:				
Direct payments:				
Payment in Lieu of Taxes			15.226	6,705
U.S. Fish and Wildlife Service - Department of the Interior				
National Wildlife Refuge Sharing Fund			15.659	38,119
Total Department of the Interior				44,824
Department of Education:				
Direct payments:				
Impact Aid			84.041	3,165,649
Pass-through payments:				
Virginia Department of Education:				
Adult Education - State Grant Program		V002A150047	84.002	198,976
Title I, Part D - Program for Neglected & Delinquent Children		S013A140046	84.013	2,250
Title I Grants to Local Educational Agencies		S010A150046	84.010	5,575,674
Special Education - Grants to States		H027A150107	84.027	8,925,759
Special Education - Preschool Grants		H173A150112	84.173	174,753
Title II, Part A - Improving Teacher Quality State Grants		S367A150044	84.367	1,188,524
Vocational Education - Basic Grants to States		V048A150046	84.048	498,213
Title III, Part A - English Language Acquisition Grants		S365A150046	84.365	117,930
Advanced Placement Program		N/A	84.330	6,992
Part C Funds		N/A	84.181	257,494
Total Department of Education				20,112,214
Total Federal Expenditures				\$ 55,986,305

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federally assisted programs of the City's Reporting Entity as defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

(2) Basis of Accounting

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

(3) Relationship to Financial Statements

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

Intergovernmental revenues per the basic financial statements:

Primary Government:		
General Fund	\$	148,016
Capital Projects Fund		3,483,924
Special Revenue Funds:		
Virginia Public Assistance Fund		9,695,436
Grants Fund		2,662,998
Community Development Fund		1,362,933
Integrated Behavioral Healthcare Fund		1,173,558
Enterprise Funds		7,151,151
Total primary government		25,678,016
Component unit - Public Schools:		
School Operating Fund		21,579,386
School Food Services Fund		9,042,802
Total component unit - Public Schools		30,622,188
Total federal expenditures from intergovernmental revenue		56,300,204
Other reconciling items		(313,899)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	55,986,305

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, For Kids, Habitat for Humanity and Building Trade Academy are the subrecipients for the federal awards of \$303,777 for the Community Development Block Grant Program and \$425,081 for the HOME Investment Program received from the Department of Housing and Urban Development.

(5) Indirect Cost Rate

The City did not elect to use a 10% de minimis indirect cost rate allowed under section 2 CFR 200.331(a)(4).

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2017. Our report includes a reference to other auditors who audited the financial statements of the Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Elizabeth River Properties of Chesapeake, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

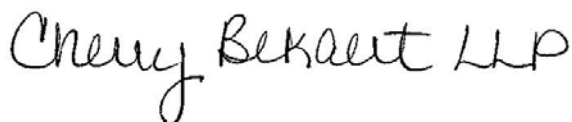
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the 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 matter that are required to be reported under *Government Auditing Standards* and one instance of noncompliance or other matter that is required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which is described in the accompanying schedule of findings and questioned costs as items 2017-001.

City of Chesapeake, Virginia's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Virginia Beach, Virginia
November 28, 2017

**Report of Independent Auditor on Compliance for Each Major
Federal Program and Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Chesapeake, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

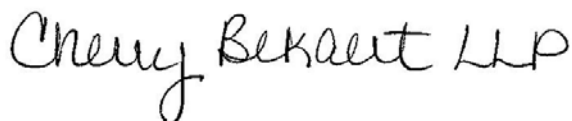
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Virginia Beach, Virginia
November 28, 2017

City of Chesapeake, Virginia
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

1) Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
U.S Department of Agriculture:	
SNAP Cluster	10.561
U.S. Department of Health and Human Services	
TANF Cluster	93.558
Department of Education:	
Special Education Cluster	84.027/84.173
Impact Aid	84.041

Dollar threshold to distinguish between Types A and B Programs:	\$1,679,589
The City of Chesapeake was qualified as a low risk auditee?	Yes

2) Findings - Financial Statement Audit Performed in Accordance with *Government Auditing Standards*

None

3) Findings and Questioned Costs - Major Federal Awards

None

4) Findings and Questioned Costs – State Compliance

2017-001 Stormwater Program– Utility Report – non-material non-compliance finding

Criteria:

The *Code of Virginia*, Section 15.2-2114 requires the locality to submit the annual Stormwater Utility report to the Auditor of Public Accounts by October 1st.

Statement of Condition:

While performing our audit procedures to ensure compliance with Section 3-17 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted the Stormwater Utility Report was filed on October 13, 2017.

Cause:

Procedures were not in place to ensure the report was filed on time.

Effect or Potential Effect:

The City of Chesapeake is not in compliance with the State's Stormwater Utility Report filing requirement.

Recommendation:

We recommend the City implement a process to ensure the report is filed by October 1st each year.

Management's Response:

The City's Department of Public Works concurs that the Utility Report was not filed by October 1st. The Department's Stormwater Fiscal Administrator will begin the process of preparing the Utility Report sixty days prior to the submission deadline to ensure various divisions in Public Works have adequate time to compile the data necessary for timely and accurate reporting.

5) Resolution of Prior Year's Findings

2016-001

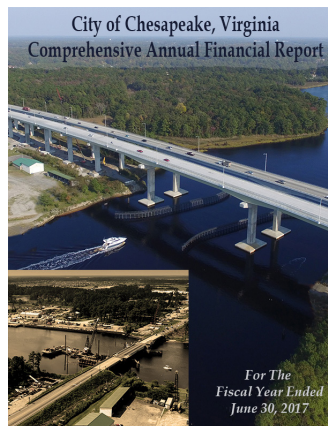
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Chesapeake
VIRGINIA

*End of Comprehensive Annual Financial Report
Of the City of Chesapeake, Virginia
For the Fiscal Year Ended
June 30, 2017*





FINANCE DEPARTMENT
CITY OF CHESAPEAKE
306 CEDAR ROAD
CHESAPEAKE, VIRGINIA 23322
www.cityofchesapeake.net