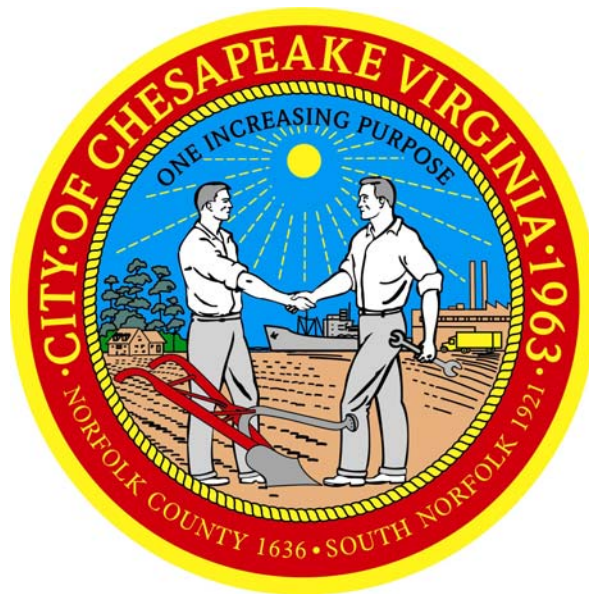


Comprehensive Annual  
Financial Report  
of the  
City of Chesapeake, Virginia  
for Fiscal Year Ended  
June 30, 2012



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 & Holland, L.L.P. 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:

Karla Amaya Gordon	Robert Knowles	Loreneta Tucker
Bobbie Berger	Loretta Mitchell	Katherine Williams
Dale Craver	John Mundy	Robyn Williford
Tracy Gregory	Victoria Reed	Louella Vess
Pamela Hardesty	Anna Riddlehoover	Tamara Walters
Wendy Hu	Nancy Tracy	Mitzie Wright

It is also appropriate to thank the Interim 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.

*Cover photo taken by Casey Gunnufsen:  
OpSail 2012 - Chesapeake Sister City's Brazilian Tall Ship, Cisne Branco*

*Please visit us at: [www.cityofchesapeake.net](http://www.cityofchesapeake.net)*

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**Chesapeake**  
VIRGINIA

# INTRODUCTORY SECTION

**Chesapeake**  
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**Chesapeake**  
VIRGINIA

Office of the City Manager  
306 Cedar Road  
Chesapeake, Virginia 23322-5225  
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December 12, 2012

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, 2012, 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 independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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

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

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

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Chesapeake), as well as its component units, which are legally separate organizations for which the City Council is financially accountable. Financial accountability was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and accountability for fiscal matters. Component units are discretely presented and are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position

and results of operations from those of the primary government. Discretely presented component units qualifying for inclusion in this report are Chesapeake Public Schools, Chesapeake Mosquito Control Commission, Economic Development Authority of the City of Chesapeake (the EDA, formerly known as the Industrial Development Authority), Chesapeake Port Authority, Chesapeake Airport Authority, and Elizabeth River Properties of Chesapeake, Inc. The activities of one component unit, CSB of Chesapeake, Inc. (CSBC, Inc.), are considered to be so intertwined with the City's activities that they are in substance part of the City's operations. Therefore, CSBC, Inc. is blended with the City's governmental activities. The Other Postemployment Benefits Trust Fund is where the City accounts for the costs of future benefits that are promised to City employees after retirement in the form primarily of retiree health insurance benefits. This fiduciary-type component unit is included within the fiduciary fund financial statements.

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

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside any county boundaries.

### **Economic Condition and Outlook**

The City's taxable sales as reported to the Virginia Department of Taxation for calendar 2011 increased \$12.8 million or 0.4% from \$2.914 billion in 2010 to \$2.927 billion. This is the second straight calendar year sales tax revenues increased in the city.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2012, the average unemployment rates were 6.3% for Chesapeake (a decline from the prior year's average unemployment rate of 6.6%), 6.8% for the region and 6.0% for the State, compared to 8.6% for the United States.

For the fiscal year ended June 30, 2012, there were 794 foreclosures in the City, down from 915 in the prior fiscal year. This decrease is a promising economic indicator.

The Chesapeake Economic Development Department 2012 Annual Report noted significant accomplishments including the following highlights despite continued economic uncertainties. Chesapeake continues to progress with more than \$163 million in business investment and 816 jobs being generated.

- The City of Chesapeake was named one of the "Top 100 Best Cities for Families" by *Parenting Magazine* in both 2011 and 2010, having rated quality of schools, affordability of homes, abundance of parkland, employment and more, as the data pertained to raising children.
- Also, Chesapeake was named America's sixth "best run" city by *24/7 Wall St.*, an online

provider of financial news and opinions, after a review of the local economies, fiscal discipline and standards of living within America's largest cities (by population). Examiners cited the City's relatively low crime, unemployment and poverty rates, among other relevant attributes.

- The City of Chesapeake has been ranked among the top ten cities nationally by the Center for Digital Government for its use of technology in enhancing operating efficiencies and realizing strategic objectives despite current fiscal constraints. The city's entry included projects which decreased costs and increased efficiency. Also highlighted were improvements to citizen service such as the online permitting system, the plan review tracker, and the CrimeView system.
- Existing companies' investment of \$66 million and new company investment of \$97 million generated 816 new jobs. The majority of economic development activity was concentrated in professional business services/technology, retail/development service and manufacturing/construction sectors. This \$163 million of business investment represents a 14.0% increase over the prior year's growth in business investment.
- On the retail front, new investment totaled \$38 million and 133 retail service jobs were created.
- Existing Chesapeake companies renewed their office leases resulting in the retention of 1,872 jobs.

Chesapeake continues to hold a AAA rating, the highest bond rating available, from Fitch Ratings, a AA+ rating from Standard & Poor's Ratings Services, and a Aa1 rating from Moody's Investors Service. Upon the initial rating upgrade in July 2010, Fitch stated "the City's excellent financial management and conservative debt structure" as the rationale for the top ranking.

### **Major Initiatives**

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

During fiscal year 2012, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, expenditures, encumbrances and other financing uses of \$513,688,442 were \$5,210,864 or 1.0% below the revised budget. Total revenues and other financing sources of \$507,577,597 exceeded budget by \$14,298,599 or 2.9%.
- Virginia Department of Transportation continued construction of the Gilmerton Bridge replacement, scheduled to be completed in 2013, while remaining open to vehicular traffic during the daytime hours. The new bridge width of 85 feet will accommodate future widening of Military Highway from four lanes to six
- The City's Operating and Capital budgets adopted by City Council preserved core services and included no tax increases.
- To help further the City's Open Space and Agricultural Preservation (OSAP) Program, City staff applied for and received \$110,952 in state matching funds from the Virginia Department of Agriculture and Consumer Services for development rights purchases on

open space and agricultural working lands. Applications were sought from interested property owners in March 2012. The City received 40 applications representing roughly 4,720 acres of land. Efforts are ongoing to select a final candidate from whom to purchase a protective easement for their property. The City also continued its partnership with the U.S. Navy to acquire property interests under multi-year encroachment protection agreements for Naval Support Activity Northwest Annex and Naval Auxiliary Landing Field Fentress. 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 the mission of each naval facility and further its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake.

- As part of the overall 2035 Comprehensive Plan update process, City staff held a number of stakeholder input meetings with business-oriented groups during the first half of the year. Groups from which input was sought for the vision and goals of the Comprehensive Plan included: Chesapeake Business Advisory Panel; Economic Development Authority; Economic Development Advisory Committee; Hampton Roads Chamber of Commerce-Chesapeake Division; Government Affairs Committee; Hampton Roads REALTORS Association; and Tidewater Builders Association. The Chesapeake Planning Commission also met with a number of City boards and commissions to gather input on the vision and goals.
- In December 2011, due to the lingering effects of the 2007 recession, City Council determined that the Proffer Policy, a component of the Comprehensive Plan, should be reviewed to determine if amendments were necessary to ensure the fair and consistent application of the Policy. An independent committee, comprised of professionals in the fields of finance, management, law, real estate and development, was established to review the Policy. City staff provided extensive support to the Proffer Policy Review Committee (PPRC), which met a total of 11 times from January through April. The PPRC submitted an initial and supplemental report to City Council, who in turn asked the Planning Commission to consider and make recommendations concerning possible amendments to the Comprehensive Plan regarding the Proffer Policy. City Council is considering the various options for amending the Policy.
- Recognizing the importance of the Poindexter Street corridor to the South Norfolk area, and particularly in light of the ongoing streetscape improvements, library relocation plans, and construction of the new South Norfolk Jordan Bridge, the City commissioned a Technical Assistance Panel (TAP) from the Hampton Roads chapter of the Urban Land Institute to conduct a "Reality Check" study of the corridor. The purpose of the study was to evaluate the corridor's development potential in realistic terms and to make recommendations to enhance commercial activity and physical improvements. The South Norfolk Historic District was also part of the study scope. The TAP conducted its study in March 2012 and submitted its final report to the City in August. Several short and long-term recommendations were provided, such as expediting the new library project, enhancing beautification efforts, and consolidating parcels for a chain pharmacy.
- The South Norfolk Historic District was established by City Council in 2000 in order to help preserve and maintain the unique character and architecture of South Norfolk's historic area. Property owners within the district are required to adhere to an established set of architectural guidelines for maintenance and repairs. Metal roofs are considered



key architectural elements for structures within the Historic District. While they should be maintained if possible, the cost of a new metal roof is typically higher than an asphalt shingle roof. Recognizing that many families are struggling in these difficult economic times, during fiscal year 2012 City Council directed staff to develop a metal roof hardship process that would provide property owners the opportunity to apply for relief, and give the Board of Historic and Architectural Review a basis for granting relief. The process was approved in September 2012.

- In the spirit of regional cooperation and land use coordination, City staff actively participated in the City of Virginia Beach's Centerville Strategic Growth Area (SGA) Study. Virginia Beach has been conducting a series of SGA studies at strategic locations around their city as part of their comprehensive plan. The Centerville SGA borders Chesapeake in the Greenbrier area, and includes their active municipal landfill. City staff attended two stakeholder input meetings for the study and submitted written comments on the draft plan to ensure that Chesapeake's strategic interests and those of its residents were represented.

***For the Future.*** Chesapeake's continued desirability as a community in which to live and work continues to show promise and opportunity. Its central location, availability of land, and good transportation network will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 121,003 in 2012 per the U.S. Bureau of Labor Statistics, an increase of 25.7% over the period.

The City is continuing 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 1.3% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2034 will be approximately 313,600. Additionally, total households are projected to be 114,600, while total employment has been projected to be 159,600.

A critical growth management and land use guidance tool for the future is the Comprehensive Plan. The Forward Chesapeake 2026 Comprehensive Plan, adopted by City Council in March 2005, is a series of documents that establish policies regarding the City's growth. It establishes a vision for the future and identifies a strategy for achieving that vision, based on community input and values. Chesapeake's Comprehensive Plan includes an overall policy document, a Land Use Plan, and a Master Transportation Plan. Implementation strategies are a component of the Plan, such as the coordination of capital improvements and other resources to achieve the Plan's goals.

While the 2026 Comprehensive Plan continues to serve as the City's primary growth management and land use guidance document, a process is well underway to review and update the plan to enhance its usefulness to a broad spectrum of stakeholders, and to adjust the vision, goals and objectives to incorporate current and forecasted trends in economic development,

housing, and transportation. The new plan is being called the Moving Forward 2035 Comprehensive Plan Update. A series of community input meetings and focused feedback group meetings have already been conducted in support of the update process. The Chesapeake Planning Commission has completed a survey of City boards and commissions to ascertain their current concerns and issues, as well as their vision and goals for the future. Stakeholder input from business-oriented groups has also been collected. Based on this input, Planning Department staff is in the process of developing the main policy document, which is being organized around the themes of responsible growth, infrastructure, and quality of life. Revisions to the Land Use Plan and Master Transportation Plan will be made as appropriate based on input received. It is anticipated that City Council will adopt the 2035 Plan in spring 2013.

One major tool used to manage growth is the Planning and Land Use Policy, adopted and incorporated into the City's Comprehensive Plan by City Council in 1995. Under this policy, level of service (LOS) tests for schools, roads, and sewer capacity were established and are applied to all rezoning applications in the City. Chesapeake's growth management policies are serving as models for other Virginia localities that are attempting to control growth without stifling development. In support of this policy, the City also utilizes a computer-based fiscal impact analysis model to evaluate the impact of proposed development projects and/or area-wide development scenarios on the City's finances. At the request of City Council, staff will be reviewing various aspects of the LOS Policy to ensure that it fairly reflects changing economic conditions.

Additionally, a variety of corridor studies, area plans, and design guidelines related to the Comprehensive Plan continue to be useful in guiding growth and development across the City. In June 2000, a Transportation Corridor Overlay District was adopted to preserve land for economic development opportunities along two of the City's key transportation corridors while managing emerging development patterns. Additionally, a Historic Preservation Plan and Reconnaissance Survey of architectural resources have been developed for the City; a new architectural survey of historic structures in Chesapeake's rural areas will be undertaken in 2013. Design guidelines for the City's gateways, infill, mixed-use and rural cluster areas, as well as the Great Bridge Village District, continue to provide valuable guidance. Periodic amendments to the City's Zoning Ordinance, Subdivision Ordinance, and Sign and Landscaping Ordinances continue to refine the City's ability to manage growth.

Lastly, a major new land use and strategic growth study of the Dominion Boulevard Corridor will be undertaken in 2013. The project was approved by City Council as part of the adoption of the 2012/2013 Capital Improvement Budget. It has been recognized for several years that this corridor has tremendous future growth potential, particularly as a regional commercial destination and employment center. This is due partly to the mixed-use land classifications established under the 2026 Land Use Plan in 2005, but also because of the pending Dominion Boulevard widening and fixed Steel Bridge project. The new Steel Bridge with its advanced opening tolling and 95 foot fixed span will allow unimpeded travel through the area which is anticipated to enhance growth opportunities. 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 are setting the stage for this area to be a successful economic growth corridor.

## **Financial Information**

### ***Financial Information and Significant Financial Policies***

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

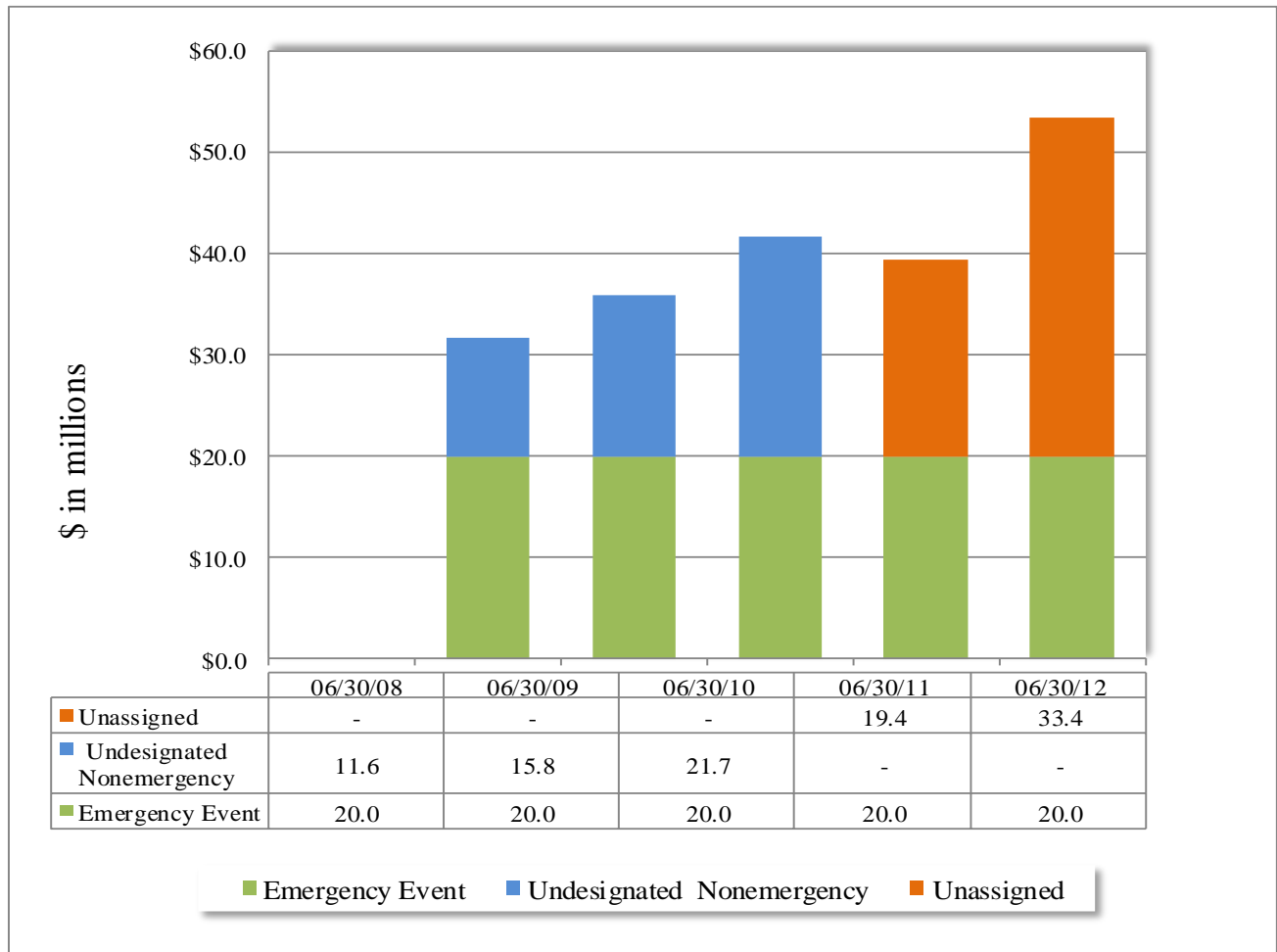
***Internal Controls.*** City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial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

***Budgetary Controls.*** Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit, and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, the Grants Fund, the Community Development Fund and certain other Special Revenue Funds. The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the fund level. City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end. City Council has authorized the City Manager to make transfers between funds. Effective August 14, 2012, City Council amended the FY13 Operating Budget ordinance to require City Council approval of transfers between departments and programs.

***Fund Balance of General Fund.*** The General Fund fund balance is an important element in the financial position of the City. 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. Except for Unassigned portions of the General Fund, all other portions have constraints placed on them for specific purposes or are not in spendable form. Previously, fund categories were comprised of reserved, unreserved-designated, and unreserved-undesignated. Fund balance not only provides a reserve for emergencies, but it is a positive factor when the rating agencies consider bond ratings for the City. The City Charter requires that a minimum of six percent of total General Fund revenues must be set aside in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. The June 30, 2012 fund balance restriction for cash flow emergencies totaled \$30.9 million. In fiscal year 1999, City Council established an additional commitment of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2012, the fund balance committed for operating emergencies is \$25.7 million. In addition to the restriction for cash flow emergencies and commitment for operating emergencies, \$25.2 million has been set aside as of June 30, 2012 with various restrictions, commitments and assignments of which the most significant amounts are set aside as lockbox funds for school and City capital projects, debt service and pay-as-you-go financing.

### Unassigned General Fund Balance



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$33,445,703 at June 30, 2012. GASB 54 requires the \$20,000,000 emergency event and response fund designation to be recorded as part of the committed fund balance. Prior to 2011, the emergency event and response fund designation was classified as a portion of undesignated fund balance. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position. Additional information and analysis on the City's General Fund can be found in the Management Discussion and Analysis section of the report.

### **Summary of Changes in General Fund Unassigned Fund Balance**

(in Millions)

Unassigned Fund Balance at June 30, 2011		\$ 19.4
Revenues	\$ 501.0	
Expenditures:		
Current	251.9	
Other financing uses (Transfers), net	252.4	
Net change in fund balance	(3.3)	
Provided by decreases in Reservations (Restricted, Committed and Assigned)	17.3	
Increase in Unassigned Fund Balance		14.0
Unassigned Fund Balance at June 30, 2012		\$ 33.4

#### **Other Information**

**Single Audit.** As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were made to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. Although this testing is not sufficient to support an opinion on the City's internal control system or its compliance with laws, regulations, contracts, and grant agreements, the audit for the fiscal year ended June 30, 2012 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 & Holland, L.L.P. was selected by the City's Audit Selection Committee. In addition to meeting the requirements set forth in the City's Charter, the audit also was designed to meet the requirements of the federal Single Audit Act Amendment of 1996 and related OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Independent Auditors' Report on the Basic Financial Statements is included in the Financial Section of this report. The auditors' reports on internal controls and compliance can be found in the Compliance Section of this report.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the 30<sup>th</sup> 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, 2011.

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

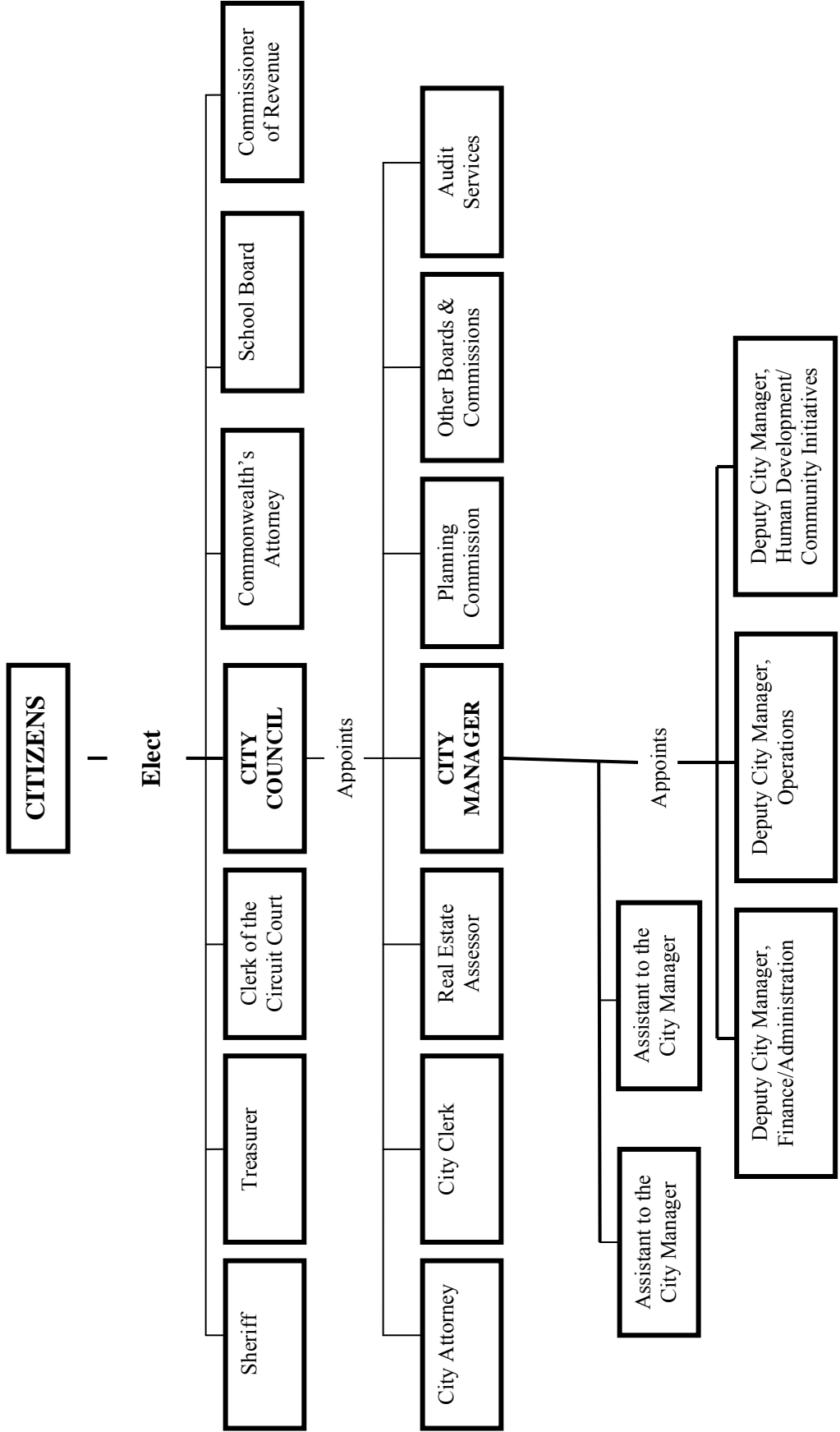
**Acknowledgments.** The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this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

Very truly yours,

Amar Dwarkanath  
Interim City Manager

Nancy C. Tracy  
Director of Finance

**Organization Chart**



# CITY OF CHESAPEAKE, VIRGINIA

City Officials  
June 30, 2012

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## City Council

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

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

## Other Officials

Barbara O. Carraway ..... City Treasurer  
Faye Mitchell ..... Clerk of the Circuit Court  
Ray A. Conner ..... Commissioner of Revenue  
Nancy G. Parr ..... Commonwealth’s Attorney  
John R. Newhart ..... Sheriff  
Amar Dwarkanath ..... Interim City Manager  
Ronald S. Hallman ..... City Attorney  
Jay Poole ..... City Auditor  
Dolores A. Moore ..... City Clerk  
William L. Rice ..... Real Estate Assessor  
Dr. Betty Jean Meyer ..... Deputy City Manager, Finance/Administration  
Eric Martin ..... Acting Deputy City Manager, Operations  
Dr. Wanda Barnard-Bailey ... Deputy City Manager, Human Development/Community Initiatives  
Mary Ann Saunders ..... Assistant to the City Manager  
Anna D’Antonio ..... Assistant to the City Manager  
V. Thomas Forehand, Jr. .... Chief Judge, Circuit Court  
John W. Brown, Marjorie A. Taylor Arrington  
Bruce Kushner and Randall D. Smith ..... Judges, Circuit Court  
David L. Williams ..... Chief Judge, General District Court  
Philip J. Infantino, Timothy S. Wright and  
Michael R. Katchmark ..... Judges, General District Court  
Deborah A. Ellington ..... Clerk of the General District Court  
Rufus A. Banks ..... Chief Judge, Juvenile and Domestic Relations Court  
Larry D. Willis and Eileen A. Olds ..... Judges, Juvenile and Domestic Relations Court  
Lorraine Creef ..... Clerk of the Juvenile and Domestic Relations Court  
Watson Lawrence ..... Director of Agriculture  
Steven L. Jenkins ..... Budget Director  
Joseph J. Scislowicz ..... Executive Director of Community Services Board



## CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued

June 30, 2012

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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  
Doris "Cookie" Palacios ..... Director of Human Services  
Peter R. Wallace ..... Chief Information Officer  
Betsy Fowler ..... Director of Libraries and Research Services  
Michael D. Barber ..... Director of Parks and Recreation  
Brent R. Neilson ..... Director of Planning  
Colonel Kelvin L. Wright ..... Chief of Police  
Mark S. Cox ..... Director of Public Communications  
William J. Meyer, Jr. .... Acting Director of Public Utilities  
Earl Sorey ..... Acting Director of Public Works  
Michael L. Thomas ..... Procurement Administrator of Purchasing

### **School Board**

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

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

### **Other School Board Officials**

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

# CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued  
June 30, 2012

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## Supplemental Listing

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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Dandison*

President

*Jeffrey R. Emer*

Executive Director

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**Chesapeake**  
VIRGINIA

# FINANCIAL SECTION

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., which represents 33.70% and 15.01%, respectively, of the assets and revenues of the aggregate other discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements, budgetary comparison schedules, capital project expenditure schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The combining and individual nonmajor fund statements, budgetary comparison schedules and capital project expenditure schedules, and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Cherry, Bekert → Holland, L. L. P.*

Virginia Beach, Virginia  
December 12, 2012



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

**Chesapeake**  
VIRGINIA

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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The discussion and analysis of the City of Chesapeake's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2012. 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 2012**

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2012 by \$1.433 billion (net assets). Of this amount, \$179.5 million is unrestricted.
- The City's total net assets increased by \$28.0 million from the prior year. The governmental net assets increased by \$9.8 million and business-type net assets increased by \$18.2 million. The donation of infrastructure assets to the City, for governmental purposes of \$2.3 million and business-type purposes of \$2.7 million, contributed to the overall increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$317.9 million, a decrease of \$32.6 million from the prior year. Approximately 77.4% or \$246.0 million of this amount is unrestricted – committed, assigned or unassigned.
- The General Fund, on a current financial resources basis, reported a deficiency of revenues and other financing sources over expenditures and other financing uses of \$3.3 million. The original budget projected a deficiency of revenues and other financing sources over expenses and other financing uses of \$16.3 million. Revised revenue and expense projections with a net reduction of \$11.9 million coupled with a net decrease in other financing uses of \$2.6 million in fund transfers combined to result in a revised budget shortfall projection of \$25.6 million. Through continued efforts by City management to control costs, particularly human resources costs, and the actual expenditures of \$251.9 million were \$10.6 million or 4.0% under budget.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$33.4 million, or 7.7% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- The total fund balances of the General Fund of \$134.9 million decreased \$3.3 million from the prior year. Fund balance composition at year end was 0.8% nonspendable, 23.7% restricted, 49.7% committed, 1.0% assigned and 24.8% unassigned.
- The City's total bonded debt decreased by \$22.7 million (approximately 4.1%). During the fiscal year, the City sold over \$51.2 million of general obligation public improvement refunding bonds resulted in an overall economic gain of \$4.9 million and a net savings of \$5.8 million. General obligation water and sewer refunding bonds in the amount of \$42.7

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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million were issued to refund all of the remaining outstanding 2003B Water and Sewer Bonds. This refunding resulted in an economic gain of \$4.0 million and a net savings of \$4.9 million in future debt service payments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

# CITY OF CHESAPEAKE, VIRGINIA

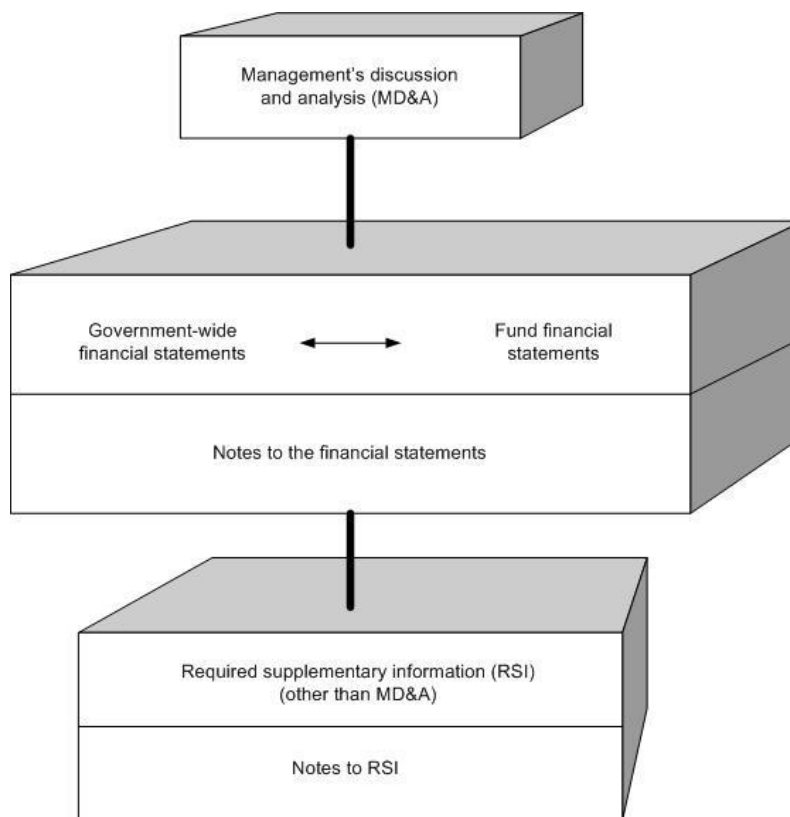
Management's Discussion and Analysis  
Year Ended June 30, 2012

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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 graphic below 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.

## Required Components of Chesapeake's 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

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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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 Assets and the Statement of Activities, report information about the City of Chesapeake as a whole using accounting methods similar to those used by private-sector companies. These statements include *all* of the government's assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net assets 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.

In the Statement of Net Assets 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 departments, and general administration. Property taxes, other taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, stormwater system, and Chesapeake Expressway toll road are included here.
- *Component units* – The City includes seven discretely presented component units, separate legal entities, in its report – the Chesapeake Public Schools, the Chesapeake Mosquito Control Commission, the Economic Development Authority of the City of Chesapeake, the Chesapeake Port Authority, Chesapeake Airport Authority, Elizabeth River Properties of Chesapeake, Inc., and South Norfolk Belharbour Waterfront Community Development Authority. Although legally separate, these component units are important because the City is financially accountable for them and provides operating funding.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### Fund Financial Statements

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

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements. The City includes in its governmental fund statements a blended component unit, CSB of Chesapeake, Inc. because it provides services entirely for the benefit of the City.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the internal service funds' gain or loss allocation, but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the City Garage Fund and the Information Technology Fund.
- *Fiduciary funds* – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are reported in a separate Statement of Fiduciary Net Assets. 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, 2012

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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 assets (assets exceeding liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Chesapeake, assets exceeded liabilities by \$1.433 billion at the close of fiscal year 2012. By far the largest portion of the City's net assets (73.2%) are invested 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.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

### Statement of Net Assets

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

#### Summary of Net Assets June 30, 2012 and 2011 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and other assets	\$ 404.2	445.7	149.5	145.5	553.7	591.2
Capital assets	1,131.6	1,111.7	504.8	501.2	1,636.4	1,612.9
<b>Total Assets</b>	<b>1,535.8</b>	<b>1,557.4</b>	<b>654.3</b>	<b>646.7</b>	<b>2,190.1</b>	<b>2,204.1</b>
<b>Liabilities</b>						
Current and other liabilities	25.6	29.2	17.1	18.5	42.7	47.7
Long-term liabilities	489.9	517.7	224.0	233.2	713.9	750.9
<b>Total liabilities</b>	<b>515.5</b>	<b>546.9</b>	<b>241.1</b>	<b>251.7</b>	<b>756.6</b>	<b>798.6</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	762.7	735.2	286.3	282.3	1,049.0	1,017.5
Restricted net assets	76.6	77.7	128.4	113.9	205.0	191.6
Unrestricted net assets	181.0	197.6	(1.5)	(1.2)	179.5	196.4
<b>Total net assets</b>	<b>1,020.3</b>	<b>1,010.5</b>	<b>413.2</b>	<b>395.0</b>	<b>1,433.5</b>	<b>1,405.5</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,535.8</b>	<b>1,557.4</b>	<b>654.3</b>	<b>646.7</b>	<b>2,190.1</b>	<b>2,204.1</b>

Approximately 14.3% of the City's net assets are subject to external restrictions. The remaining balance of unrestricted net assets (\$179.5 million or 12.5%) 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 assets, for the primary government as a whole. In addition, all categories of net assets for its separate governmental and business-type activities are positive balances except for unrestricted net assets for business-type activities of (\$1.5) million. Total unrestricted net assets decreased by \$16.9 million or 8.6% over the prior year. Total restricted net assets increased \$13.3 million or 6.9%, largely due to bond proceeds restricted for capital projects that must be spent on those specific activities and unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas. Lastly, net assets invested in capital assets, net of related debt, increased \$31.5 million or 3.1%. The City's total net assets increased by \$28.0 million or 2.0% during the fiscal year.



## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### **Governmental Activities**

Net assets of the City's governmental activities increased by \$9.8 million, as shown on the Statement of Activities, accounting for 35.0% of the total growth in net assets of the City. This increase was due to a variety of factors. Total Program Revenues for governmental activities were \$146.4 million for fiscal year 2012, an increase of \$1.8 million from fiscal year 2011. The increase was a combination of a decrease of \$0.3 million in Charges for Services, a \$1.9 million increase in Operating Grants and Contributions, and a \$0.2 million increase in Capital Grants and Contributions. Total donated land and infrastructure assets, which include roads, were \$2.2 million, reported in the Public Works function. Investment earnings rose 4.3% or \$0.1 million. Expenses increased by \$44.3 million or 8.2%. Major increases in the functional areas of general government (\$6.3 million), public works (\$7.4 million) and education (\$23.9 million) were primarily attributed to capital outlay related spending. General revenues decreased \$0.3 million from the prior year. Property taxes decreased \$5.1 million or 1.7% from the prior year while taxes other than property taxes increased \$4.3 million or 3.7%. Transfers to governmental activities were \$0.3 million more than last fiscal year.

### **Business-type Activities**

The net assets of the City's business-type activities increased from \$395.0 million to \$413.2 million. These resources cannot be used to make up for any net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Expressway enterprise funds. One element of this increase was due to deeded and donated assets from developers in the amount of \$2.7 million. Total revenues decreased \$0.7 million or 0.7% for business-type activities primarily due to reductions in Charges for Services and Capital Grants and Contribution. Combined expenses increased \$1.8 million or 2.5% - a \$0.9 million increase in expenses associated with project costs for Expressway, \$2.0 million increase in Public Utilities for the Water distribution and operation and a \$1.1 decrease in Stormwater Management.

# CITY OF CHESAPEAKE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2012

### Statement of Activities

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

#### Statement of Activities Year Ended June 30, 2012 and 2011 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Activities	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 29.0	29.3	89.2	89.6	118.2	118.9
Operating grants and contributions	114.4	112.5	1.3	1.2	115.7	113.7
Capital grants and contributions	3.0	2.8	2.7	3.1	5.7	5.9
General revenues						
Property taxes	293.8	298.9	-	-	293.8	298.9
Other taxes	119.1	114.8	-	-	119.1	114.8
Grants and contributions not restricted to specific program	31.6	31.5	-	-	31.6	31.5
Unrestricted investment earnings	2.4	2.3	-	-	2.4	2.3
Other	3.1	2.8	-	-	3.1	2.8
Total revenues	596.4	594.9	93.2	93.9	689.6	688.8
<b>Expenses</b>						
General government	145.0	138.7	-	-	145.0	138.7
Public safety	100.8	90.5	-	-	100.8	90.5
Public works	47.6	40.2	-	-	47.6	40.2
Parks	7.8	8.3	-	-	7.8	8.3
Public welfare	44.8	44.4	-	-	44.8	44.4
Education	203.0	179.1	-	-	203.0	179.1
Public utilities	-	-	56.1	54.1	56.1	54.1
Chesapeake Expressway	-	-	10.6	9.7	10.6	9.7
Stormwater management	-	-	7.8	8.9	7.8	8.9
Interest on long-term debt	17.9	19.8	-	-	17.9	19.8
Depreciation and Amortization unallocated	20.1	21.8	-	-	20.1	21.8
Total expenses	587.1	542.8	74.5	72.7	661.6	615.5
Excess (deficiency) before transfers	9.3	52.1	18.7	21.2	28.0	73.3
Transfers	0.5	0.2	(0.5)	(0.2)	-	-
Increase (decrease) in net assets	9.8	52.3	18.2	21.0	28.0	73.3
Net Assets - beginning	1,010.5	958.2	395.0	374.0	1,405.5	1,332.2
Net Assets - ending	\$ 1,020.3	1,010.5	413.2	395.0	1,433.5	1,405.5

# CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

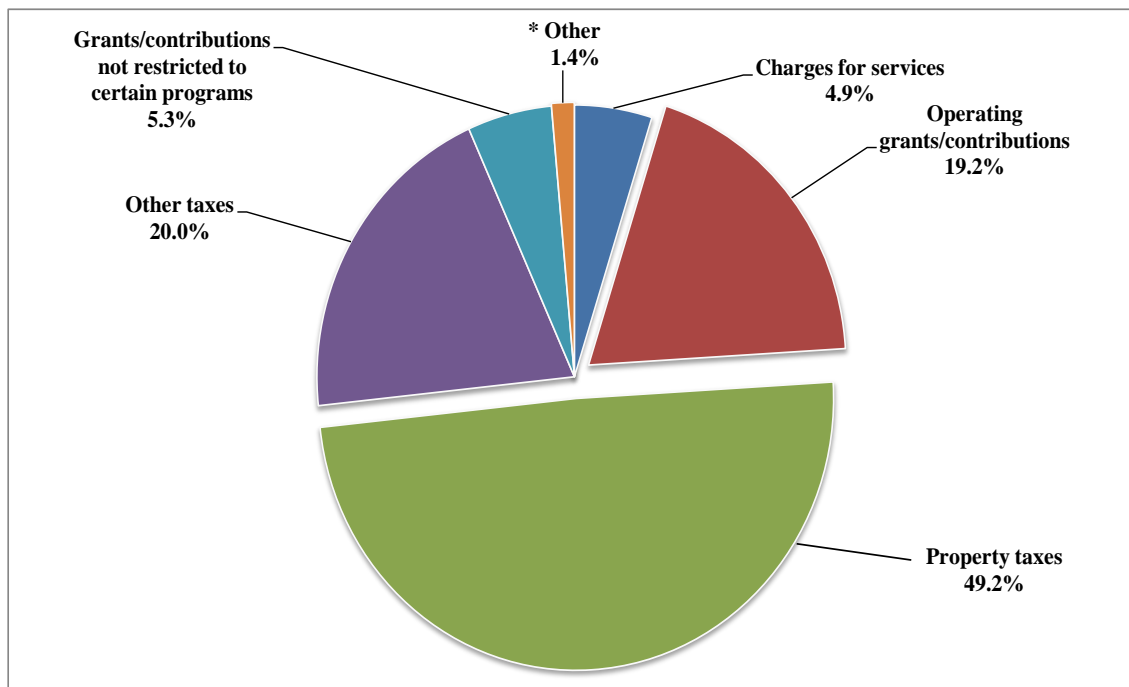
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## Governmental Activities

The City's total revenues from governmental activities were \$596.4 million for the fiscal year ended June 30, 2012. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$293.8 million and accounted for 49.3% of total revenues. Property taxes decreased \$5.1 million or 1.7% from the prior year. This follows a decline of 2.7% from fiscal year 2010 to 2011. The real estate tax rate of \$1.04 per \$100 of assessed value with an additional \$0.01 for the Mosquito Control Commission remains unchanged from 2008 when it was reduced from the \$1.09 real estate with \$0.02 Mosquito Control Commission rates of 2007.

Revenues from other taxes, \$119.1 million, make up 20.0% of the City's revenues and increased 3.7% from the prior fiscal year, driven by consumer spending activity reflected in increased sales and use, business license, lodging and restaurant food taxes. Approximately 60.0% of the City's revenue from governmental and business-type activities comes from some type of tax, and 17.1% comes from fees charged for services in governmental activities.

## Revenues by Source – Governmental Activities – Year Ended June 30, 2012



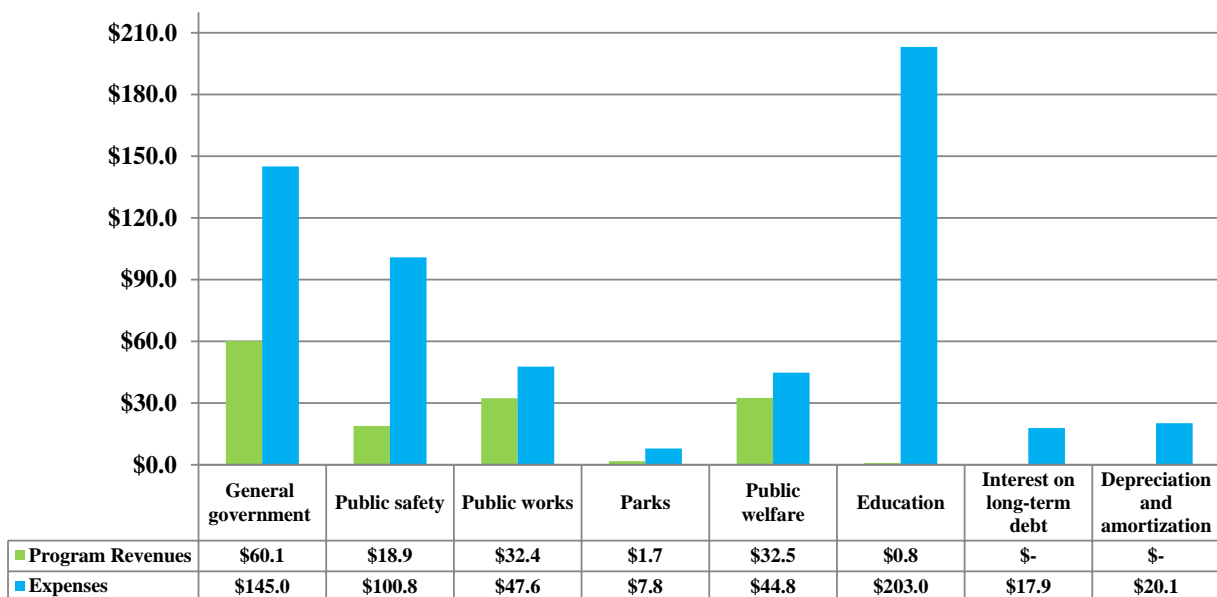
\*Other includes capital grants/contributions and unrestricted investment earnings

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

The City's expenses for governmental activities cover a wide range of services, with 17.2% or \$100.8 million for fiscal year 2012 related to public safety and 34.6% or \$203.0 million for fiscal year 2012 for education (including payments to the Public Schools, a component unit). Overall expenses for governmental activities increased \$44.3 million or 8.2%, which included a 13.3% increase for education.

### Expenses and Program Revenues – Governmental Activities Year Ended June 30, 2012 (in millions)



### Business-Type Activities

Net assets for the City's business-type activities increased by \$18.2 million largely as a result of revenues from fee and toll road rate increases and assets deeded over by developers. The increase in net assets accounted for 65.9% of the total growth in the City's net assets. Charges for services, including water and sewer utility fees, stormwater fees, and toll revenues, made up 95.7% of total revenues for business-type activities. The overall net increase in expenses for all business-type activities was 2.5%. This increase is mainly due to increases in expenses in water distribution and production and contributions for OPEB costs.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

The focus of Chesapeake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2012, the governmental funds reported combined ending fund balances of \$317.9 million, a decrease of \$32.6 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2012:

- \$58.4 million spent in the Capital Projects Fund to fund capital items, including animal services facility, projects and improvements in the Greenbrier and South Norfolk tax increment financing districts, continued progress on the U.S. Route 17/Steel Bridge/Dominion Boulevard project, Butts Station Operation Relocation Phase I, George Washington Highway Improvements, Battlefield Visitor Center and Bell Mills Bridge Replacement.
- \$180.3 million contributed from the City's General Fund to finance the Public Schools' operations.
- \$8.2 million of tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- \$91.0 million of general obligation borrowing and \$105.6 million of general obligation bond principal retired.

The City contributed \$10.4 million to the OPEB Trust Fund, including \$2.9 million considered pay-as-you-go. The OPEB Trust Fund was established in fiscal year 2008 during the City's implementation of Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 45 *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Approximately \$246.0 million of the combined total fund balances constitutes unrestricted fund balance, which is comprised of funds committed or assigned at the discretion of City Council as well as unassigned funds. The \$101.9 million of these unrestricted funds in the General Fund represent 23.6% 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, 2012 were as follows:

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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- \$25.8 million committed for operating emergencies
- \$20.0 million committed for emergency event response and recovery
- \$27.6 million committed for capital projects
- \$21.6 million committed for various programs and projects
- \$ 1.0 million committed for education
- \$ 6.7 million committed for City capital projects
- \$55.0 million assigned for future capital projects
- \$37.8 million assigned for debt service
- \$17.0 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2012, the unassigned fund balance, includes \$33.4 million in the General Fund, the City's chief operating fund. Restricted funds total \$70.6 million at year end and include \$30.9 million for General Fund cash flow emergencies (6% of revenue as required by City Charter).

Total fund balance of the General Fund decreased by \$3.3 million for fiscal year 2012. The General Fund experienced an overall 4.9% increase in revenue. The 5.9% growth in general property taxes is mainly attributable to increases in taxes on real property and personal property. Investment income was up 33.5% due to increases in interest rates. Intergovernmental revenues from the Commonwealth of Virginia increased \$1.4 million. The increase in this revenue source was primarily due to increases in other categorical aids for street and highway maintenance. Total expenditures increased 13.6% from the prior fiscal year due primarily to increases in solid waste expenditures.

The Debt Service Fund ended the year with \$38.2 million in total fund balance, a decrease of \$2.8 million from 2011. The decrease is mainly due to planned reductions in transfers from the General Fund. The assigned fund balance of \$37.8 million is for the payment of debt service as directed by City Council.

Total fund balance of the Capital Project Fund decreased \$24.5 million. This is attributable to a \$2.6 million reduction in revenues coupled with a \$6.4 million increase in expenditures and no new borrowing took place during the fiscal year to offset the City's capital expenditures of \$58.4 million. During fiscal year 2012, Federal ARRA funds decreased by \$5.2 million since the majority of funding was received in fiscal year 2011. The \$6.4 million increase in expenditures is due to capital improvements for U.S. Route 17/Steel Bridge/Dominion Boulevard project, Animal Facility, South Norfolk Tax Increment Financing District, and Butts Station projects.

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### **Proprietary Funds**

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

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year totaled \$93.4 million. Annual growth was \$10.7 million, partially resulting from the booking of deeded and donated utility improvements from developers in the amount of \$2.7 million. The increase in restricted net assets prior to the impact of these transactions was \$9.1 million. Approximately \$12.7 million was spent on various water and sewer renewal and replacement capital projects. \$44.0 million of debt was defeased through the issuance of \$42.7 million refunding bonds.

The Chesapeake Expressway toll road reported operating revenues for fiscal year 2012 totaling \$10.4 million versus \$8.1 million for 2011. The increase of 28.4% is due primarily to the implementation of new toll rates. Operating expenses for the year amounted to \$8.4 million, with \$4.1 million from depreciation and amortization expense. Net assets decreased by \$0.9 million, with the Chesapeake Expressway Fund covering interest expense of \$1.9 million on the toll road revenue bonds. A principal payment on the bonds was also paid in the amount of \$0.5 million.

The Stormwater Management Fund, an enterprise fund, had \$27.7 million in restricted net assets at June 30, 2012, up from \$21.8 million in 2011. Operating revenues were \$14.8 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$3.0 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### GENERAL FUND BUDGETARY HIGHLIGHTS

#### General Fund

Year Ended June 30, 2012

	Original Budget*	Amended Budget	Actual
Revenues:			
Taxes	\$ 388.4	\$ 388.4	\$ 395.5
Intergovernmental	79.8	80.8	81.9
Other	20.0	20.6	23.6
Total	488.2	489.8	501.0
Expenditures and transfers:			
Expenditures *	249.0	262.5	251.9
Transfers (net)	255.5	252.9	252.4
Total	504.5	515.4	504.3
Change in fund balance	\$ (16.3)	(25.6)	(3.3)

\*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$2.8 million for encumbrances reappropriated from June 30, 2011.

Differences between the original budget and the final amended budget for the City's General Fund included \$1.6 million of additional revenues and a net increase in appropriations and transfers of \$10.9 million resulting in a \$9.3 million decrease to the change in fund balance. Major changes included the following:

- Appropriation of \$6.1 million to fund Parks and Recreation operations as part of the consolidation process
- Appropriation of \$3.2 million from the General Fund unassigned fund balance for Hurricane Irene related costs
- Appropriation of \$2.2 million from General Fund to fund Gateway at SoNo Project
- Appropriation of \$1.4 million in State maintenance funding for Public Works essential vehicle replacement and additional paving
- Appropriation of \$0.6 million for Adult Medical Clinic, grant cash match
- Appropriation of \$0.5 million from the General Fund committed fund balance for Economic Development Incentive Program
- Appropriation of \$0.4 the General Fund unassigned fund balance to fund Mosquito Control Commission, Virginia Public Assistance Fund, Community Services Fund and Parks and Recreation Fund
- Appropriation of \$0.3 million for development and permits related to Edinburgh Property purchase



## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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- Appropriation of \$0.3 million from the General Fund assigned fund balance to fund Public Works resurfacing project
- Appropriation of \$0.1 million from General Fund to fund Volvo and Independence Project

Actual total revenues exceeded the amended budget by \$11.2 million, primarily impacted by general property taxes and other local taxes. Delinquent taxes on personal property exceeded the budget by \$2.6 million and business license taxes exceeded budget estimates by \$3.0 million. Intergovernmental revenues were \$1.1 million greater than amended budgeted revenues mainly due to revenue associated with additional funding provided by the Commonwealth of Virginia for noncategorical and categorical aids.

Expenditures were below the amended budget by \$10.6 million. The general government category returned \$5.5 million or 4.9% of its budget, partially due to \$1.3 million appropriated for contingencies that were not required. Public Safety departments were \$0.8 million or 1.0% below amended budget and Public Works departments were \$3.9 million or 6.9% below the amended budget. No operating departments exceeded their budget in 2012, as all departments were encouraged to be conservative in their spending for the fiscal year. Although the amended budget called for a reduction of \$25.6 in fund balance, the actual higher revenues and lower expenditures resulted in a decrease in fund balance of \$3.3 million – a favorable variance of \$22.3 million.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **Capital Assets**

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to approximately \$1.636 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 1.5% or \$23.5 million (an increase of 1.8% for governmental activities and an increase of 0.7% for business-type activities).

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

### Capital Assets (net of accumulated depreciation) June 30, 2012 and 2011 (in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 44.2	41.5	22.3	22.2	66.5	63.7
Intangibles	268.7	261.8	3.2	3.1	271.9	264.9
Construction in progress	148.2	116.3	48.2	38.8	196.4	155.1
Buildings	374.4	384.3	4.2	4.3	378.6	388.6
Improvements other than buildings	14.4	15.9	2.6	2.4	17.0	18.3
Software, equipment and vehicles	48.6	42.5	2.3	1.3	50.9	43.8
Infrastructure	233.0	249.4	422.0	429.1	655.0	678.5
<b>Total</b>	<b>\$ 1,131.5</b>	<b>1,111.6</b>	<b>504.8</b>	<b>501.2</b>	<b>1,636.3</b>	<b>1,612.8</b>

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

- Completed capital projects totaling \$16.8 million for governmental activities.
- Completed capital projects totaling \$9.1 million for business-type activities.
- Construction in progress totaled \$148.2 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$48.2 million for business-type activities, which includes Public Utility and Stormwater projects.

The City's fiscal year 2013 capital budget calls for the commencement of capital projects totaling \$310.9 million during the fiscal year ending June 30, 2013. The major component is the U.S. Route 17/Steel Bridge/Dominion Boulevard project which totals \$467.6 million over the next five years and is contingent upon a Council approved toll revenue plan of financing. Other projects budgeted to commence in fiscal year 2013 include:

- Citywide re-grading and restoration of outfall ditches to maintain capacity and improve the quality of stormwater runoff
- Public utilities renovations and improvements for water and sewer operations, i.e. Red Top Tank and Raw Water Pump Station
- Information technology improvements include Mainframe Modernization, Project 25 radio, Real Estate Assessor Computer Assisted Mass Appraisal and Library Technology Project
- Various Economic Development planning initiatives such as South Norfolk Property Acquisition
- General improvements to Community Centers and parks

## CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis  
Year Ended June 30, 2012

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- Fire Department Fire Station Replacements
- Chesapeake Public Schools Building and Improvements projects subject to prioritization by School officials

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

### Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans) of \$526.1 million. Of this amount, \$471.0 million comprises debt backed by the full faith and credit of the City and \$55.1 is debt secured by revenues of the water and sewer system and Chesapeake Expressway toll revenue.

### City of Chesapeake Outstanding Debt

June 30, 2012 and 2011

(in millions)

	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 369.7	384.3	98.1	104.4	467.8	488.7
Revenue bonds	-	-	55.1	56.4	55.1	56.4
Literary loans	1.9	2.4	-	-	1.9	2.4
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 372.9	388.0	153.2	160.8	526.1	548.8

Chesapeake's total bonded debt decreased by \$22.7 million during the fiscal year. During fiscal year 2012, the City sold over \$91.0 million of general obligation bonds including \$14.2 million to partially fund the Indian River High School modernization and to refund \$69.3 million of public improvement bonds for interest savings. The City also sold \$42.7 million of general obligation water and sewer refunding bonds.

Principal outstanding on lease revenue bonds backed by the City's general obligation pledge in the amount of \$4.1 million, issued by a blended component unit, CSB of Chesapeake, Inc., have been reported with the City's total debt outstanding for governmental activities. An installment purchase agreement in the amount of \$1.3 million is also included in the City's debt at June 30, 2012. This debt instrument was used to finance the City's purchase of development rights under

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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the Open Space and Agricultural Preservation (OSAP) program, in which the landowner will be paid interest on a semi-annual basis for a period of years until the actual purchase takes place.

Again in fiscal year 2012, Fitch Ratings assigned a "AAA" rating to the City of Chesapeake, the highest bond rating available. The "AAA" rating was first awarded to the City in 2010. The City also received a AA+ rating from Standard & Poor's Ratings Services and a Aa1 rating from Moody's Investors Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2.4 billion, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The average unemployment rate for fiscal year 2012 for the City of Chesapeake is 6.3%, which is a slight improvement from the 6.6% rate for in 2011. This compares to the average unemployment rates of 6.8% for the region, 6.0% for Virginia and 8.6% nationally for the same time period.
- Chesapeake's 2011 population estimate reflects an adjustment based on the results of the April 2010 official U.S. Census. This adjusted estimate is a decline of 1.5% from the prior year. The City population projections had shown a 1.3% average annual growth rate over the past decade. The Weldon Cooper Center for Public Service, Demographic and Workforce Group estimates a net population increase of 1.7% between the April 1, 2010 Census count and July 1, 2011.
- The City's real estate tax base decreased 2.1% from the prior year compared to a decline of 4.5% in fiscal year 2011. Slight improvement was experienced in other taxes.
- Due to uncertain national, state and local economic conditions, evidenced locally by reduced real estate transactions, home values, construction permits and vehicle registrations, the City will continue to focus on core service delivery for the next three to five years. To help address the identified School and City capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing Chesapeake's budget for the 2014 fiscal year.

## **CITY OF CHESAPEAKE, VIRGINIA**

Management's Discussion and Analysis  
Year Ended June 30, 2012

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### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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**Chesapeake**  
VIRGINIA

# Basic Financial Statements

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA



# Government-Wide Financial Statements



**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule A*

Statement of Net Assets  
June 30, 2012

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
<b>ASSETS</b>					
Cash and temporary investments (note 2)	\$ 222,034,870	52,474,307	274,509,177	62,833,463	11,301,155
Receivables, net of allowance for uncollectible amounts (note 3)	87,891,219	25,557,444	113,448,663	25,081,942	3,988,483
Due from component units, net of allowance for uncollectible amounts (note 7)	331,100	-	331,100	-	-
Internal balances (note 1)	1,543,594	(1,543,594)	-	-	-
Inventories	1,385,868	1,091,050	2,476,918	1,244,246	6,533,172
Prepaid expenses	1,335,165	-	1,335,165	47,694	4,831
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	1,399,340	1,399,340	-	-
Cash restricted for debt service	-	2,926,243	2,926,243	-	-
Cash restricted for debt service with trustee	-	8,481,510	8,481,510	-	-
Cash with State Set-Aside (note 2)	1,011,910	-	1,011,910	-	-
Capital construction:					
Cash and temporary investments	83,110,174	48,446,399	131,556,573	23,677,124	-
Cash and temporary investments with trustee	3,381,326	8,437,111	11,818,437	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	816,285	-	816,285	-	-
Capital Assets (notes 4, 6, and 9):					
Land	44,230,869	22,250,578	66,481,447	17,277,065	1,660,198
Intangibles	268,681,456	3,206,451	271,887,907	-	-
Construction in progress	148,247,278	48,196,730	196,444,008	67,272,169	-
Buildings	587,392,725	5,714,718	593,107,443	105,642,693	3,606,363
Improvements other than buildings	26,218,574	3,410,925	29,629,499	5,604,230	18,683,940
Software, equipment and vehicles	121,337,305	9,939,919	131,277,224	72,904,076	1,950,753
Infrastructure	1,083,703,538	644,625,181	1,728,328,719	-	-
Accumulated depreciation	(1,148,223,727)	(232,565,705)	(1,380,789,432)	(61,304,706)	(12,964,813)
Other assets	1,338,691	1,258,572	2,597,263	-	127,595
<b>Total assets</b>	<b>\$ 1,535,768,220</b>	<b>654,307,179</b>	<b>2,190,075,399</b>	<b>320,279,996</b>	<b>34,891,677</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable, deposits and accrued expenses (note 3)	\$ 24,469,516	7,664,142	32,133,658	53,350,046	226,406
Unearned revenues	1,101,138	9,474,086	10,575,224	-	28,825
Due to primary government (note 7)	-	-	-	-	2,594,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	58,263,502	9,748,172	68,011,674	3,303,570	2,257,115
Due in more than one year	431,667,075	214,202,064	645,869,139	303,271,663	2,929,746
Total liabilities	515,501,231	241,088,464	756,589,695	359,925,279	8,036,694
<b>Net Assets</b>					
Invested in capital assets, net of related debt	762,765,688	286,255,165	1,049,020,853	197,394,354	11,385,341
Restricted for:					
Capital projects	7,541,231	1,765,682	9,306,913	15,625,180	-
Debt service	2,974,020	10,331,849	13,305,869	-	-
Other purposes:					
Expendable:					
General Fund	30,923,382	-	30,923,382	-	-
Special Projects	34,812,068	-	34,812,068	-	-
Educational Purposes	175,762	-	175,762	37,834,510	-
Public Works	108,566	-	108,566	-	-
Public Utilities Fund Operations	-	85,995,140	85,995,140	-	-
Chesapeake Expressway Fund Operations	-	2,751,590	2,751,590	-	-
Stormwater Management Fund Operations	-	27,662,883	27,662,883	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	835,207
Chesapeake Airport Authority	-	-	-	-	179,204
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	180,953,477	(1,543,594)	179,409,883	(290,499,327)	14,455,231
Total net assets (deficit)	1,020,266,989	413,218,715	1,433,485,704	(39,645,283)	26,854,983
<b>Total liabilities and net assets</b>	<b>\$ 1,535,768,220</b>	<b>654,307,179</b>	<b>2,190,075,399</b>	<b>320,279,996</b>	<b>34,891,677</b>

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

**CITY OF CHESAPEAKE, VIRGINIA**  
Statement of Activities  
Year Ended June 30, 2012

Schedule B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Discretely Presented Component Units	
							Total	Public Schools
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ 144,974,198	15,655,753	44,169,018	266,115	(84,883,312)	-	(84,883,312)	-
Public safety	100,787,254	8,004,960	10,816,291	31,951	(81,934,052)	-	(81,934,052)	-
Public works	47,637,435	572,422	29,695,264	2,102,958	(15,266,791)	-	(15,266,791)	-
Parks	7,804,170	1,185,891	519,595	-	(6,098,684)	-	(6,098,684)	-
Public welfare	44,804,508	3,634,765	28,892,093	-	(12,277,650)	-	(12,277,650)	-
Education	203,047,686	-	269,357	570,509	(202,207,820)	-	(202,207,820)	-
Interest on long term debt	17,885,365	-	-	-	(17,885,365)	-	(17,885,365)	-
Depreciation and amortization - net unallocated portion (note 4)	20,169,069	-	-	-	(20,169,069)	-	(20,169,069)	-
Total governmental activities	587,109,685	29,053,791	114,361,618	2,971,533	(440,722,743)	-	(440,722,743)	-
Business-type activities:								
Public Utilities	56,133,023	63,871,301	1,109,545	2,662,708	-	11,510,531	11,510,531	-
Chesapeake Expressway	10,587,608	10,488,113	-	-	-	(99,495)	(99,495)	-
Stormwater Management	7,761,421	14,833,052	199,601	-	-	7,271,232	7,271,232	-
Total business-type activities	74,482,052	89,192,466	1,309,146	2,662,708	-	18,682,268	18,682,268	-
<b>Total primary government</b>	<b>\$ 661,591,737</b>	<b>118,246,257</b>	<b>115,670,764</b>	<b>5,634,241</b>	<b>(440,722,743)</b>	<b>18,682,268</b>	<b>(422,040,475)</b>	<b>-</b>
<b>COMPONENT UNITS</b>								
Public Schools	\$ 472,886,416	7,097,754	102,098,651	1,541,294	-	-	(362,148,717)	-
Chesapeake Mosquito Control Commission	4,630,205	-	4,258,512	-	-	-	-	(371,693)
Economic Development Authority	2,364,300	-	5,213,186	-	-	-	-	2,848,886
Chesapeake Port Authority	44,866	36,210	10,065	-	-	-	-	1,409
Chesapeake Airport Authority	1,324,282	424,813	1,119,842	-	-	-	-	220,373
Elizabeth River Properties of Chesapeake, Inc	145,536	100,730	35,398	-	-	-	-	(9,408)
<b>Total component units</b>	<b>\$ 481,395,605</b>	<b>7,659,507</b>	<b>112,735,654</b>	<b>1,541,294</b>	<b>-</b>	<b>-</b>	<b>(362,148,717)</b>	<b>2,689,567</b>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					\$ 293,799,799	-	293,799,799	-
Local sales and use taxes					33,751,538	-	33,751,538	-
Consumer utility taxes					10,027,978	-	10,027,978	-
Communication sales tax					12,138,514	-	12,138,514	-
Business license taxes					24,752,986	-	24,752,986	-
Local utility consumption tax					814,049	-	814,049	-
Bank stock taxes					1,175,309	-	1,175,309	-
Taxes on recordation and wills					2,671,560	-	2,671,560	-
Tobacco taxes					4,690,129	-	4,690,129	-
Hotel and motel room taxes					5,554,853	-	5,554,853	-
Restaurant food taxes					22,197,591	-	22,197,591	-
Admission taxes					860,118	-	860,118	-
Short-term rental taxes					340,070	-	340,070	-
Part-mutuel wagering pool tax					91,175	-	91,175	-
Payment from City					-	-	-	195,333,708
Grants and contributions - not restricted to specific programs					31,646,114	-	31,646,114	137,894,439
Unrestricted investment earnings					2,400,850	-	2,400,850	333,931
Miscellaneous					3,123,243	-	3,123,243	1,188,152
Transfers					471,873	(471,873)	-	-
Total general revenues and transfers					450,507,749	(471,873)	450,035,876	334,750,230
<b>Change in net assets</b>					9,785,006	18,210,395	27,995,401	(27,398,487)
<b>Net assets - beginning</b>					1,010,481,983	395,008,320	1,405,490,303	(12,246,796)
<b>Net assets (deficit) - ending</b>					\$ 1,020,266,989	413,218,715	1,433,485,704	(39,645,283)

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

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**Chesapeake**  
VIRGINIA

# Fund Financial Statements



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**Chesapeake**  
VIRGINIA

# Governmental Fund Financial Statements

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

**Other Governmental Funds** – Include Special Revenue and Permanent Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments (note 2)	\$ 100,373,113	37,883,187	-	52,610,034	190,866,334
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,878,335	-	-	-	2,878,335
State categorical aid	1,674,268	-	-	-	1,674,268
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	70,982	-	234,035	1,236,250	1,541,267
Federal government	3,334	-	4,666,944	3,437,205	8,107,483
Federal government - American Reinvestment and Recovery Act	-	-	-	43,635	43,635
Receivables (note 3):					
Property taxes	30,371,650	-	-	-	30,371,650
Accounts receivable	6,121,669	-	203,946	4,459,823	10,785,438
Utility taxes	2,950,036	-	-	-	2,950,036
Interest	492,704	186,439	63	290	679,496
Fines	155,153	-	-	162,870	318,023
Ambulance fees	1,876,782	-	-	-	1,876,782
Restaurant and food tax	1,939,438	-	-	-	1,939,438
Other	1,054,739	-	-	480,384	1,535,123
Allowance for uncollectible amounts	(3,398,124)	-	-	(2,207,473)	(5,605,597)
Inventory	969,110	-	-	10,935	980,045
Due from other funds (note 8)	181,222	-	-	-	181,222
Prepaid expenditures and other assets	20,417	-	-	-	20,417
Restricted assets (note 2):					
Cash with state set-aside (note 6)	1,011,910	-	-	-	1,011,910
Capital construction:					
Cash and temporary investments	-	-	83,110,174	-	83,110,174
Cash and temporary investments with trustee	-	-	3,381,326	-	3,381,326
Investment	-	-	-	816,285	816,285
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	139,062	192,038	-	-	331,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
<b>Total assets</b>	<b>\$ 177,475,801</b>	<b>\$ 38,261,664</b>	<b>\$ 91,596,488</b>	<b>\$ 61,050,238</b>	<b>\$ 368,384,191</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable (note 3)	\$ 6,721,825	-	-	1,650,386	8,372,211
Deposits (note 3)	1,460,999	-	-	91,172	1,552,171
Accrued expenditures (note 3)	3,012,887	-	-	60,657	3,073,544
Deferred revenues (note 5)	31,357,760	-	-	390,567	31,748,327
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	5,599,636	-	5,599,636
Due to other funds (note 8)	-	-	-	181,222	181,222
<b>Total liabilities</b>	<b>42,553,471</b>	<b>-</b>	<b>5,599,636</b>	<b>2,374,004</b>	<b>50,527,111</b>
<b>Fund Balances (note 12)</b>					
Nonspendable	1,128,589	192,038	-	23,730	1,344,357
Restricted for cash flow emergencies	30,923,382	-	-	-	30,923,382
Restricted other	1,011,910	243,189	3,381,326	34,999,933	39,636,358
Committed for operating emergencies	25,769,311	-	-	-	25,769,311
Committed for emergency event response and recovery	20,000,000	-	-	-	20,000,000
Committed other	21,354,919	-	27,622,364	7,970,078	56,947,361
Assigned	1,288,513	37,826,437	54,993,162	15,703,722	109,811,834
Unassigned	33,445,706	-	-	(21,229)	33,424,477
<b>Total fund balances</b>	<b>134,922,330</b>	<b>38,261,664</b>	<b>85,996,852</b>	<b>58,676,234</b>	<b>317,857,080</b>
<b>Total liabilities and fund balances</b>	<b>\$ 177,475,801</b>	<b>38,261,664</b>	<b>91,596,488</b>	<b>61,050,238</b>	<b>368,384,191</b>

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

(Continued)



**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule C, Continued*

Balance Sheet  
 Governmental Funds  
 June 30, 2012

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**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**

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

Ending fund balance - governmental funds	\$	317,857,080
<p>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 footnote 4 to the financial statements also include assets of \$47,454,503 associated with the internal service funds as indicated below.</p>		
Capital assets		1,084,133,514
<p>Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets.</p>		
		1,338,691
<p>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.</p>		
		30,647,190
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$1,543,594 as noted on Schedule E.</p>		
Capital assets	47,454,503	
Long-term debt	(26,263,561)	
Other assets and liabilities	<u>33,927,956</u>	55,118,898
<p>Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds.</p>		
		(5,161,367)
<p>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 \$26,263,561 associated with the internal service funds as indicated above.</p>		
Long-term debt related to assets	(412,620,446)	
Long-term debt not related to assets	<u>(51,046,571)</u>	(463,667,017)
<b>Net assets of governmental activities</b>		<b>\$ 1,020,266,989</b>

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, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 284,942,753	-	-	8,460,183	293,402,936
Other local taxes	110,604,837	-	-	8,461,034	119,065,871
Licenses, permits, and fees	8,307,084	-	-	-	8,307,084
Fines and forfeitures	2,675,066	-	-	-	2,675,066
Investment income	682,130	277,798	909,707	382,503	2,252,138
Revenues from use of property	468,900	54,889	35,477	339,108	898,374
Charges for services	10,241,957	-	-	7,620,468	17,862,425
Miscellaneous local revenues	598,644	-	508,499	1,022,563	2,129,706
Recovered costs	401,258	-	5,559	1,629,901	2,036,718
Program income	-	-	-	158,692	158,692
Revenues from local developers	150,000	-	435,076	-	585,076
Intergovernmental revenues:					
Commonwealth of Virginia	81,758,757	219,959	3,522,152	20,585,449	106,086,317
Federal government	150,689	-	17,006,998	18,405,107	35,562,794
Federal government - American Reinvestment and Recovery Act	-	846,997	20,054	1,395,485	2,262,536
Chesapeake Public Schools	105,028	164,329	-	-	269,357
<b>Total revenues</b>	<b>501,087,103</b>	<b>1,563,972</b>	<b>22,443,522</b>	<b>68,460,493</b>	<b>593,555,090</b>
<b>EXPENDITURES</b>					
Current:					
General government	105,878,382	-	-	12,229,779	118,108,161
Public safety	84,901,637	-	-	12,348,549	97,250,186
Public works	49,967,543	-	-	19,868	49,987,411
Parks	5,800,833	-	-	2,450,298	8,251,131
Public welfare	-	-	-	44,353,875	44,353,875
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	33,625	33,625
Education - Payments to Public Schools	180,331,035	15,002,673	-	-	195,333,708
General Government - Payments to Mosquito Control Commission	347,408	-	-	-	347,408
Capital outlay	2,895,602	-	58,425,103	5,907,077	67,227,782
Debt service	2,423,395	55,558,619	-	715,885	58,697,899
<b>Total expenditures</b>	<b>432,545,835</b>	<b>70,561,292</b>	<b>58,425,103</b>	<b>78,058,956</b>	<b>639,591,186</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>68,541,268</b>	<b>(68,997,320)</b>	<b>(35,981,581)</b>	<b>(9,598,463)</b>	<b>(46,036,096)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds (note 8)	6,471,475	52,887,050	14,434,240	22,007,319	95,800,084
General obligation refunding bonds issued (note 6)	-	76,840,000	-	-	76,840,000
Transfers to other funds (note 8)	(78,291,870)	-	(2,941,189)	(14,410,150)	(95,643,209)
Payment to refund bond escrow agent (note 6)	-	(84,369,830)	-	-	(84,369,830)
Premiums on general obligation bonds issued (note 6)	-	5,786,007	-	-	5,786,007
VPSA bonds proceeds (note 6)	-	14,170,000	-	-	14,170,000
Premium on VPSA bonds (note 6)	-	832,673	-	-	832,673
<b>Total other financing sources (uses)</b>	<b>(71,820,395)</b>	<b>66,145,900</b>	<b>11,493,051</b>	<b>7,597,169</b>	<b>13,415,725</b>
<b>Net change in fund balance</b>	<b>(3,279,127)</b>	<b>(2,851,420)</b>	<b>(24,488,530)</b>	<b>(2,001,294)</b>	<b>(32,620,371)</b>
<b>Fund balance - beginning</b>	<b>138,201,457</b>	<b>41,113,084</b>	<b>110,485,382</b>	<b>60,677,528</b>	<b>350,477,451</b>
<b>Fund balance - ending</b>	<b>\$ 134,922,330</b>	<b>38,261,664</b>	<b>85,996,852</b>	<b>58,676,234</b>	<b>317,857,080</b>

(Continued)

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

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule D, Continued*

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2012

**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 \$ (32,620,371)

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	(36,735,153)	
Capital outlay expenditures	70,088,428	
Donated assets	2,322,153	
Noncapitalizable assets related to closed projects	(14,843,297)	
Asset transfers	(312,143)	
Loss on disposal	<u>(305,839)</u>	
		20,214,149

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 396,864

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

Debt issued (and related costs)	(99,722,161)	
Principal repayments	41,552,794	
Payment to escrow agent for refunding	<u>84,369,830</u>	
		26,200,463

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

Accrued interest	348,553	
Compensated absences	(624,470)	
Net pension obligation	(3,464)	
Net other post employment benefit obligation	<u>(1,859,721)</u>	
		(2,139,102)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses), excluding capital contributions from the primary government, of certain activities of the internal service funds are reported with governmental activities. (2,266,997)

**Change in net assets of governmental activities \$ 9,785,006**

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

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**Chesapeake**  
VIRGINIA

# Proprietary Fund Financial Statements

**Major Enterprise Funds:**

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

**Chesapeake Expressway** – To account for the operations of the Chesapeake Expressway toll road.

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	
<b>ASSETS</b>					
Current assets:					
Cash and temporary investments (note 2)	\$ 44,382,555	1,384,764	6,706,988	52,474,307	31,168,535
Receivables (note 3):					
Accounts	17,104,379	265,920	9,967,062	27,337,361	105,728
Interest	125,774	-	32,995	158,769	100,115
Allowance for uncollectible amounts	(1,727,004)	(35,510)	(176,172)	(1,938,686)	-
Inventory of materials and supplies	1,090,972	-	78	1,091,050	405,819
Prepaid expenses	-	-	-	-	1,314,748
Total current assets	60,976,676	1,615,174	16,530,951	79,122,801	33,094,945
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	1,399,341	-	1,399,341	-
Cash restricted for debt service	2,926,243	-	-	2,926,243	-
Cash restricted for debt service with trustee	4,677,232	3,804,278	-	8,481,510	-
Capital construction:					
Cash and temporary investments	29,286,058	56,832	19,103,509	48,446,399	-
Cash and temporary investments with trustee	6,534,060	1,903,051	-	8,437,111	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	44,423,593	7,163,502	19,103,509	70,690,604	-
Capital assets (note 4 and note 9):					
Land	10,787,890	11,105,618	357,070	22,250,578	-
Intangibles	2,205,683	-	1,000,768	3,206,451	-
Construction in progress	37,711,850	1,605,604	8,879,276	48,196,730	1,476,582
Buildings	165,121	5,389,295	160,302	5,714,718	600,465
Improvements other than buildings	3,312,378	-	98,547	3,410,925	5,911,130
Equipment and vehicles	4,437,833	5,321,921	180,165	9,939,919	95,366,623
Infrastructure	544,252,137	82,355,685	18,017,359	644,625,181	77,584
Less accumulated depreciation	(179,169,540)	(49,687,852)	(3,708,313)	(232,565,705)	(55,977,881)
Total capital assets, net of accumulated depreciation	423,703,352	56,090,271	24,985,174	504,778,797	47,454,503
Other assets	1,135,968	122,601	-	1,258,569	-
Total noncurrent assets	469,262,913	63,376,374	44,088,683	576,727,970	47,454,503
<b>Total assets</b>	<b>\$ 530,239,589</b>	<b>64,991,548</b>	<b>60,619,634</b>	<b>655,850,771</b>	<b>80,549,448</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Current liabilities:					
Accounts payable (note 3)	\$ 1,713,466	266,834	57,342	2,037,642	663,829
Accrued expenses and other liabilities (note 3)	1,440,701	865,530	23,276	2,329,507	46,755
Deposits (note 3)	810,294	-	-	810,294	-
Deferred revenues (note 5)	1,769,646	-	7,450,672	9,220,318	-
Construction projects payable (note 3)	2,084,268	194,201	208,228	2,486,697	-
Current portion of long-term debt (note 6)	6,080,798	3,147,670	-	9,228,468	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	87,462
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	374,920	45,464	99,320	519,704	211,744
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	5,445,865
Total current liabilities	14,274,093	4,519,699	7,838,838	26,632,630	6,455,655
Noncurrent liabilities:					
Deferred revenues (note 5)	253,768	-	-	253,768	-
General obligation bonds (note 6)	99,224,664	-	-	99,224,664	-
Revenue bonds (note 6)	34,927,927	18,792,313	-	53,720,240	-
Due to Commonwealth of Virginia (note 6)	-	60,562,603	-	60,562,603	-
Accrued vacation, sick pay, and overtime leave (note 6)	501,063	60,758	132,736	694,557	282,989
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	20,235,499
Total noncurrent liabilities	134,907,422	79,415,674	132,736	214,455,832	20,518,488
<b>Total liabilities</b>	<b>149,181,515</b>	<b>83,935,373</b>	<b>7,971,574</b>	<b>241,088,462</b>	<b>26,974,143</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	287,682,303	(26,412,315)	24,985,174	286,255,162	47,367,041
Restricted for:					
Capital projects	-	1,765,682	-	1,765,682	-
Debt service	7,380,630	2,951,219	-	10,331,849	-
Other purposes - Expendable:					
Public Utilities Fund	85,995,141	-	-	85,995,141	-
Chesapeake Expressway Fund	-	2,751,589	-	2,751,589	-
Stormwater Management Fund	-	-	27,662,886	27,662,886	-
Unrestricted	-	-	-	-	6,208,264
<b>Total net assets (deficit)</b>	<b>381,058,074</b>	<b>(18,943,825)</b>	<b>52,648,060</b>	<b>414,762,309</b>	<b>53,575,305</b>
<b>Total liabilities and net assets</b>	<b>\$ 530,239,589</b>	<b>64,991,548</b>	<b>60,619,634</b>	<b>655,850,771</b>	<b>80,549,448</b>

Net assets of enterprise funds, Schedule E	\$ 414,762,309
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,543,594)
Net assets of business-type activities, Schedule A	<u>\$ 413,218,715</u>

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

## CITY OF CHESAPEAKE, VIRGINIA

## Schedule F

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2012

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	
<b>OPERATING REVENUES</b>					
Charges for services:					
Sale of water	\$ 34,264,126	-	-	34,264,126	-
Billings to departments	-	-	-	-	28,755,492
Billings to outside agencies & component units	-	-	-	-	2,272,181
Sewer service charges	23,905,489	-	-	23,905,489	-
Stormwater management fees	-	-	14,818,894	14,818,894	-
Tolls and tickets	-	10,393,888	-	10,393,888	-
Rental fees	1,165,640	-	-	1,165,640	-
Connection fees	3,423,271	-	-	3,423,271	-
Miscellaneous	636,405	10,148	10,264	656,817	-
Recovered costs	380,162	84,077	3,895	468,134	261,057
Other	75,832	-	-	75,832	-
<b>Total operating revenues</b>	<b>63,850,925</b>	<b>10,488,113</b>	<b>14,833,053</b>	<b>89,172,091</b>	<b>31,288,730</b>
<b>OPERATING EXPENSES</b>					
Cost of materials billed	-	-	-	-	5,637,826
Purchases for resale	17,026,073	-	-	17,026,073	1,551,480
Water production	7,506,882	-	-	7,506,882	-
Sewer maintenance and operation	5,159,284	-	-	5,159,284	-
Water maintenance and operation	2,918,546	-	-	2,918,546	-
Customer service	1,272,018	-	-	1,272,018	-
General and administrative	3,376,305	343,547	1,232,609	4,952,461	970,606
Technical services	1,214,964	-	-	1,214,964	-
Other salaries and wages	-	1,037,964	2,482,135	3,520,099	4,927,479
Other fringe benefits	-	429,675	1,132,730	1,562,405	1,836,035
Self-insurance losses	-	-	-	-	2,347,218
Indemnity and medical claims	-	-	-	-	4,124,288
Other repairs and supplies	-	348,705	340,989	689,694	2,572,443
Equipment rental	-	5,248	6,460	11,708	601,140
Other contractual services	-	2,071,851	1,560,302	3,632,153	868,809
Depreciation and amortization	10,836,052	4,139,974	578,311	15,554,337	8,483,254
Insurance premiums	-	-	-	-	1,293,753
Meter reading services	242,957	-	-	242,957	-
Other	3,196	1,940	-	5,136	-
<b>Total operating expenses</b>	<b>49,556,277</b>	<b>8,378,904</b>	<b>7,333,536</b>	<b>65,268,717</b>	<b>35,214,331</b>
<b>Operating income (loss)</b>	<b>14,294,648</b>	<b>2,109,209</b>	<b>7,499,517</b>	<b>23,903,374</b>	<b>(3,925,601)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	456,723	45,744	199,601	702,068	148,712
Interest expense	(5,969,724)	(1,891,698)	-	(7,861,422)	(30,049)
Gain on sale of equipment	20,375	-	-	20,375	131,266
Loss on sale of equipment	(358,098)	(362,751)	(319,074)	(1,039,923)	(631,671)
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	652,822	-	-	652,822	-
<b>Total nonoperating revenues (expenses)</b>	<b>(5,197,902)</b>	<b>(2,208,705)</b>	<b>(119,473)</b>	<b>(7,526,080)</b>	<b>(381,742)</b>
<b>Income (loss) before transfers and contributions</b>	<b>9,096,746</b>	<b>(99,496)</b>	<b>7,380,044</b>	<b>16,377,294</b>	<b>(4,307,343)</b>
Transfers in (note 8)	-	-	-	-	1,131,197
Transfers out (note 8)	-	(784,015)	-	(784,015)	(572,265)
Capital contributions	2,974,850	-	-	2,974,850	7,114,187
<b>Increase (decrease) in net assets</b>	<b>12,071,596</b>	<b>(883,511)</b>	<b>7,380,044</b>	<b>18,568,129</b>	<b>3,365,776</b>
<b>Total net assets (deficit) - beginning</b>	<b>368,986,478</b>	<b>(18,060,314)</b>	<b>45,268,016</b>	<b>396,194,180</b>	<b>50,209,529</b>
<b>Total net assets (deficit) - ending</b>	<b>\$ 381,058,074</b>	<b>(18,943,825)</b>	<b>52,648,060</b>	<b>414,762,309</b>	<b>53,575,305</b>

Change in net assets of enterprise funds, Schedule F	\$ 18,568,129
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(357,734)
Change in net assets of business-type activities, Schedule B	<u>\$ 18,210,395</u>

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

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2012

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 64,073,574	10,768,609	14,797,028	89,639,211	31,517,673
Payments to suppliers	(27,498,149)	(2,557,082)	(3,328,387)	(33,383,618)	(23,731,690)
Payments to employees	(11,296,323)	(1,469,019)	(3,602,988)	(16,368,330)	(6,735,726)
Net cash provided by (used in) operating activities	25,279,102	6,742,508	7,865,653	39,887,263	1,050,257
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	-	-	1,131,197
Transfers out	-	(784,015)	-	(784,015)	(572,265)
Net cash provided by (used in) noncapital financing activities	-	(784,015)	-	(784,015)	558,932
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Federal government	652,822	-	-	652,822	-
Proceeds from GO refunding bonds	42,735,000	-	-	42,735,000	-
Proceeds from sale of capital assets	20,375	-	-	20,375	185,999
Payment of refunding escrow deposit	(47,706,447)	-	-	(47,706,447)	-
Principal payment of long-term debt	(5,715,000)	(3,534,618)	-	(9,249,618)	-
Premium on issuance of GO refunding bonds	5,305,763	-	-	5,305,763	-
Acquisition of capital assets	(12,588,207)	(1,977,298)	(2,394,471)	(16,959,976)	(7,731,837)
Increase (decrease) in construction projects payable	(952,810)	141,666	(407,500)	(1,218,644)	-
Interest paid	(6,461,929)	(1,891,698)	-	(8,353,627)	(30,049)
Repayments of obligations under capital leases	-	-	-	-	(1,001,373)
Net cash provided by (used in) capital and related financing activities	(24,710,433)	(7,261,948)	(2,801,971)	(34,774,352)	(8,577,260)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	444,061	45,744	185,225	675,030	143,435
Net cash provided by investing activities	444,061	45,744	185,225	675,030	143,435
Net increase (decrease) in cash and temporary investments	1,012,730	(1,257,711)	5,248,907	5,003,926	(6,824,636)
<b>Cash and temporary investments beginning of year</b>	87,793,418	9,805,977	20,561,590	118,160,985	37,993,171
<b>Cash and temporary investments end of year</b>	\$ 88,806,148	8,548,266	25,810,497	123,164,911	31,168,535
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 14,294,648	2,109,209	7,499,517	23,903,374	(3,925,601)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,836,052	4,139,974	578,311	15,554,337	8,483,254
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	342,234	280,496	(89,901)	532,829	228,943
Inventory of materials and supplies	4,950	-	2,463	7,413	83,568
Prepaid expenses and other assets	-	-	-	-	(418,790)
Accounts payable	(81,601)	214,209	(178,765)	(46,157)	(488,547)
Deferred revenues	(119,585)	-	53,876	(65,709)	-
Accrued expenses and other liabilities	(17,453)	(3,697)	(11,725)	(32,875)	794
Liability for self insurance losses	-	-	-	-	(2,940,358)
Accrued vacation, sick pay, and overtime leave	19,857	2,317	11,877	34,051	26,994
Total adjustments	10,984,454	4,633,299	366,136	15,983,889	4,975,858
<b>Net cash provided by (used in) operating activities</b>	\$ 25,279,102	6,742,508	7,865,653	39,887,263	1,050,257
<b>Supplemental information on significant noncash transactions:</b>					
Public Utilities Fund:					
Contributions of capital assets	\$ 2,974,850				
Internal Service Funds:					
Contributions of capital assets					\$ 7,114,187

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

**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule H-1*

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

	<b>Other Postemployment Benefits Trust</b>	<b>Agency Special Welfare</b>
<b>ASSETS</b>		
Cash and temporary investments - (note 2)	\$ -	2,408
Cash and temporary investments with trustee (note 2)	28,995,567	-
<b>Total assets</b>	<b>28,995,567</b>	<b>2,408</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	33,646	-
Due to children under foster care	-	2,408
<b>Total liabilities</b>	<b>33,646</b>	<b>2,408</b>
<b>Net Assets</b>		
Net assets held in trust for other postemployment benefits	28,961,922	-
<b>Total liabilities and net assets</b>	<b>\$ 28,995,568</b>	<b>2,408</b>

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

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule H-2*

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 Year Ended June 30, 2012

	<b>Other Postemployment Benefits Trust</b>
<b>ADDITIONS</b>	
Contributions from employer (note 11)	\$ 10,441,279
Contributions from plan members (note 11)	1,937,139
Investment income:	
Interest and dividend income	1,175,500
Net appreciation (depreciation) in fair value of investments	(653,885)
Less investment expenses	69,373
Net investment income	452,242
<b>Total additions</b>	<b>12,830,660</b>
<b>DEDUCTIONS</b>	
Administrative expenses	20,592
Benefits and refunds paid on behalf of plan members and beneficiaries	4,878,418
<b>Total deductions</b>	<b>4,899,010</b>
<b>Change in net assets</b>	<b>7,931,650</b>
<b>Net assets held in trust for other postemployment benefits - beginning of year</b>	<b>21,030,271</b>
<b>Net assets held in trust for other postemployment benefits - end of year</b>	<b>\$ 28,961,921</b>

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

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**Chesapeake**  
VIRGINIA

# Discretely Presented Component Units

**Chesapeake Public Schools** – To account for the operation of elementary and secondary education within the City.

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

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

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

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

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



**CITY OF CHESAPEAKE, VIRGINIA**  
**DISCRETELY PRESENTED CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Statement of Net Assets – Governmental Activities  
 June 30, 2012

<b>ASSETS</b>	
Cash and temporary investments	\$ 62,833,463
Receivables	453,722
Due from federal government	14,134,796
Due from Commonwealth of Virginia	10,493,424
Inventory	1,244,246
Prepaid Interest	47,694
Restricted cash and temporary investments	23,677,124
Capital assets, net	207,395,527
<b>Total assets</b>	<b>\$ 320,279,996</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Accounts payable to vendors	\$ 12,884,299
Accrued payroll	31,660,150
Claims payable	8,805,597
Noncurrent liabilities:	
Due within one year	3,303,570
Due in more than one year	51,711,519
Net OPEB Obligation	251,560,144
<b>Total liabilities</b>	<b>359,925,279</b>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	197,394,354
Restricted for capital projects	15,625,180
Restricted for other purposes	37,834,510
Unrestricted deficit	(290,499,327)
<b>Total net deficit</b>	<b>(39,645,283)</b>
<b>Total liabilities and net assets</b>	<b>\$ 320,279,996</b>

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

**CITY OF CHESAPEAKE, VIRGINIA**  
**DISCRETELY PRESENTED CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Statement of Activities – Governmental Activities  
Year Ended June 30, 2012

Functions/programs	Expenses	Program revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 8,224,719	-	-	-	(8,224,719)
Instruction	359,663,535	1,019,480	94,088,733	1,541,294	(263,014,028)
Attendance and health services	6,308,060	-	409,329	-	(5,898,731)
Pupil transportation	29,371,604	35,523	-	-	(29,336,081)
Operations and maintenance	42,218,928	1,041,630	-	-	(41,177,298)
School facilities services	652,296	-	-	-	(652,296)
School technology services	12,884,155	-	-	-	(12,884,155)
Food services	12,916,234	5,001,121	7,600,589	-	(314,524)
Interest on long-term liabilities	377,528	-	-	-	(377,528)
Payment to primary government for returning interest income	269,357	-	-	-	(269,357)
<b>Total</b>	<b>\$ 472,886,416</b>	<b>7,097,754</b>	<b>102,098,651</b>	<b>1,541,294</b>	<b>(362,148,717)</b>
General revenues:					
Interest					333,931
Grants and contributions not restricted to specific programs					137,894,439
Payment from primary government					195,333,708
Miscellaneous					1,188,152
<b>Total</b>					<b>334,750,230</b>
Change in net assets					(27,398,487)
Net deficit – beginning					(12,246,796)
Net deficit – ending					(39,645,283)

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule J-1

Combining Statement of Net Assets  
Other Discretely Presented Component Units  
June 30, 2012

	Governmental		Business-type Activities			Total
	Activities		Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.	
	Chesapeake Mosquito Control Commission	Economic Development Authority				
<b>ASSETS</b>						
Current assets:						
Cash and temporary investments (note 2)	\$ 5,083,111	4,627,783	14,448	430,903	1,144,910	11,301,155
Receivables, net of allowance for uncollectible amounts	-	2,185,914	-	30,069	32,500	2,248,483
Inventories	273,732	6,259,440	-	-	-	6,533,172
Prepaid expenses	-	-	-	-	4,831	4,831
Capital assets:						
Land	204,340	-	-	1,073,151	382,707	1,660,198
Buildings	2,675,601	-	-	-	930,762	3,606,363
Improvements other than buildings	14,897	-	-	18,634,317	34,726	18,683,940
Equipment and vehicles	1,727,890	-	-	222,863	-	1,950,753
Less accumulated depreciation	(1,734,694)	-	-	(11,021,072)	(209,047)	(12,964,813)
Other assets	-	61,861	-	58,734	7,000	127,595
Noncurrent assets:						
Receivables, net of allowance for uncollectible amounts	-	1,740,000	-	-	-	1,740,000
<b>Total assets</b>	<b>8,244,877</b>	<b>14,874,998</b>	<b>14,448</b>	<b>9,428,965</b>	<b>2,328,389</b>	<b>34,891,677</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	61,697	87,045	6,269	71,395	-	226,406
Deferred revenues	-	-	-	28,825	-	28,825
Due to primary government	-	1,319,095	944,407	331,100	-	2,594,602
Current portion of long-term debt	-	2,202,115	-	55,000	-	2,257,115
Long term liabilities	-	1,764,746	-	1,165,000	-	2,929,746
<b>Total liabilities</b>	<b>61,697</b>	<b>5,373,001</b>	<b>950,676</b>	<b>1,651,320</b>	<b>-</b>	<b>8,036,694</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	2,888,034	-	-	7,358,159	1,139,148	11,385,341
Restricted	-	-	-	179,204	835,207	1,014,411
Unrestricted	5,295,146	9,501,997	(936,228)	240,282	354,034	14,455,231
<b>Total net assets (deficit)</b>	<b>8,183,180</b>	<b>9,501,997</b>	<b>(936,228)</b>	<b>7,777,645</b>	<b>2,328,389</b>	<b>26,854,983</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,244,877</b>	<b>14,874,998</b>	<b>14,448</b>	<b>9,428,965</b>	<b>2,328,389</b>	<b>34,891,677</b>

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule J-2

Combining Statement of Activities  
 Other Discretely Presented Component Units  
 Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc		
<b>Governmental Type Activities</b>										
Chesapeake Mosquito Control Commission	\$ 4,630,205	-	4,258,512	(371,693)	-	-	-	-	-	(371,693)
<b>Business-type Activities</b>										
Economic Development Authority	2,364,300	-	5,213,186	-	2,848,886	-	-	-	-	2,848,886
Chesapeake Port Authority	44,866	36,210	10,065	-	-	1,409	-	-	-	1,409
Chesapeake Airport Authority	1,324,282	424,813	1,119,842	-	-	-	220,373	-	-	220,373
Elizabeth River Properties of Chesapeake, Inc	145,536	100,730	35,398	-	-	-	-	-	(9,408)	(9,408)
<b>Total component units</b>	<b>\$ 8,509,189</b>	<b>561,753</b>	<b>10,637,003</b>	<b>(371,693)</b>	<b>2,848,886</b>	<b>1,409</b>	<b>220,373</b>	<b>(9,408)</b>	<b>-</b>	<b>2,689,567</b>
<b>Change in net assets</b>				\$ (371,693)	2,848,886	1,409	220,373	(9,408)	-	2,689,567
<b>Net assets (deficit) - beginning</b>				8,554,873	6,653,111	(937,637)	7,557,272	2,337,797	-	24,165,416
<b>Net assets (deficit) - ending</b>				\$ 8,183,180	9,501,997	(936,228)	7,777,645	2,328,389	-	26,854,983

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

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**Chesapeake**  
VIRGINIA

# Notes to Basic Financial Statements



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Summary of Significant Accounting Policies**

***The Reporting Entity***

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

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

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

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

- The Chesapeake Public Schools (the Schools) are responsible for elementary and secondary education within the City. All nine members of the School Board are elected. The City Council approves the annual budget of the Public Schools, levies the necessary taxes to finance the Public Schools' operations, and approves the borrowing of money and the issuance of bonds. Separate audited financial statements are available from the Chesapeake Public Schools at 312 Cedar Road, Chesapeake, Virginia 23322.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

- 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.
- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes of \$.01 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. The Commission does not issue separate audited financial statements.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Continued**

- Elizabeth River Properties of Chesapeake, Inc. (ERPC) is a not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. ERPC provides housing for individuals served by the City's Community Services Department. The Community Services Board of Directors, whose members are appointed by City Council, appoints the members of the Board of ERPC and appropriates funds annually to provide rental assistance to individuals served by Community Services. The Community Services Board has also transferred funds to ERPC to be used for the purchase of additional residences for individuals serviced by Community Services. Separate audited financial statements are available through the City's Department of Community Services at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.
- The South Norfolk Belharbour Waterfront Community Development Authority (CDA) was created by City Council on January 22, 2008 as a separate political entity pursuant to express authority given under Virginia law. The purpose of the Belharbour CDA is to assist in the funding, planning, establishing, acquiring, constructing or reconstructing, enlarging, extending, equipping, operating and maintaining public improvements in the Belharbour area. The board members, appointed by City Council, serve a four year term. As of May 9, 2012, the Authority adopted a resolution declaring the purposes for which it was created are impractical and impossible to perform. On June 12, 2012, the City Council passed a resolution to authorize the dissolution and termination of the CDA. As of June 30, 2012 no financial transactions were executed by the CDA; therefore, no financial statements for the CDA are included within the City's Comprehensive Annual Financial Report as of June 30, 2012.

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

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(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.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

***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.

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

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

In the fund financial statements, real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year end are reflected as deferred revenues. 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.

*(Continued)*



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

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.

The City reports the following major proprietary funds:

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

The *Chesapeake Expressway Fund* accounts for the operation of the Chesapeake Expressway toll road.

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

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

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Continued**

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

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

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.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Continued**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* (Statement No. 20), the government-wide financial statements and the fund financial statements of the proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 that do not contradict or conflict with GASB pronouncements. Under paragraph 7 of Statement No. 20, the City has elected not to apply FASB pronouncements issued after November 30, 1989.

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.

In all funds, when both restricted and unrestricted resources are available for a particular use and have not been earmarked for other purposes, it is the City's policy to use restricted resources first for any allowable costs. After restricted resources have been depleted, unrestricted resources are used as they are needed unless the City determines and documents otherwise.

***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 Assets or Balance Sheet as "Cash and temporary investments." In addition, the City has restricted deposits

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

held by trustees for future retirements of bonds at the appropriate call date, and construction projects.

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

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

***Receivables and Payables***

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

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

Provisions for uncollectible advances to component units are based upon the terms of the notes, which are non-interest bearing, unsecured with the City. Provisions have been made for the EDA advance of \$1,319,095 and the Port Authority advance of \$944,407.

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

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Continued**

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, 2011, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2012 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, 2012 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2012 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.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(1) Continued**

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

***Capital Assets***

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense in the amount of \$513,627 was capitalized during fiscal year ended June 30, 2012 in the Public Utilities Fund.

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:

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

***Vacation, Sick Pay, and Accrued Overtime Leave***

City employees are granted vacation, sick pay and accrued overtime leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay and accrued overtime leave earned and, upon

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

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

***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 Assets. Bond premiums and discounts, as well as issuance and refunding costs, 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 and refunding costs. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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

***Encumbrances***

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(1) Continued**

during the subsequent year. However, fund balances in the fund financial statements at year end have been accordingly committed.

***Fund Balances***

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

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

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

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

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as

*(Continued)*



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(1) Continued**

nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by City Councils' delegation of this authority to the City Manager or designee.

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

***Net Assets***

The government-wide statement of net assets reports \$62,914,910 of expendable restricted net assets for other purposes, of which \$30,923,382 is restricted by enabling legislation.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(2) Deposits and Investments**

*Deposits*

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

The carrying value of pooled deposits, as of June 30, 2012 is \$279,990,367 including petty cash of \$45,710 and cash in the special welfare fiduciary fund of \$2,408. Cash of \$1,011,910 is being held by the Commonwealth of Virginia.

*Investments*

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

*Credit Risk*

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote is the minimum rating required by the Virginia State Code, the City’s investment

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(2) Continued**

policy, or the debt agreements as well as the actual investment ratings as of June 30, 2012.

*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 Act or covered by the FDIC.

*Custodial Credit Risk – Investments*

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

*Concentration of Credit Risk*

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

At June 30, 2012, the City was holding certificate of deposits in BB&T of \$94,000,000 which represented 21.99%; Suntrust of \$50,000,000 which represented 11.70%; and TowneBank of \$46,000,000 which represented 10.76% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments other than U.S. Treasury securities, mutual funds, and external investment pools.

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits U.S. Treasury and U.S. Agency securities to maturities

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2012

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**(2) Continued**

of less than five years; guaranteed investment contracts to maturities of less than 30 years; bankers acceptances to maturities of less than 180 days; commercial paper to maturities of less than 270 days; and corporate notes to maturities of less than five years.

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

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

*Foreign Currency Risk*

The City of Chesapeake OPEB Trust Fund 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 and the Mosquito Control Commission component units as well as the OPEB 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 \$6,218,044 have been excluded because risk information is not available.

*(Continued)*

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(2) Continued**

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

Deposits and investments:	
Pooled deposits	\$ 279,990,367
State set-aside fund	1,011,910
Investments	273,108,871
Other component units	6,218,044
<b>Total deposits and investments</b>	<b>\$ 560,329,192</b>
Per Schedules A and H-1:	
Cash and temporary investments	\$ 348,646,203
Cash and temporary investments with trustee	30,394,907
Cash restricted for debt service	2,926,243
Cash restricted for debt service with trustee	8,481,510
Cash with State Set-Aside	1,011,910
Cash restricted for Public Utilities improvement and redemption	1,000,000
Investment - zero coupon bond	816,285
Capital construction - cash and temporary investments	155,233,697
Capital construction - cash and temporary investments with trustee	11,818,437
<b>Total cash and temporary investments per Schedules A and H-1</b>	<b>\$ 560,329,192</b>

(Continued)

Notes to Basic Financial Statements  
June 30, 2012

(2) Continued

Investments by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA+	AA	AA1	AA2	AA3	Aaa	Unrated	Total
<b>Investments:</b>											
Bank Money Market Accounts	1	n/a	\$ 19,400,874	-	-	-	-	-	-	-	19,400,874
Commercial paper	n/a	A1/P1	0	-	-	-	-	329,446	-	-	329,446
U.S. Government-Sponsored Coupon Securities	911	n/a	36,775,787	76,002,634	-	-	-	-	4,016,240	-	116,794,661
Treasury Coupon Securities	29	n/a	4,003,400	-	-	-	-	-	-	-	4,003,400
Corporate Notes and Municipal Bonds	405	n/a	631,391	1,393,516	461,276	2,162,606	2,302,596	202,476	-	-	7,153,860
Local Government Investment Pool	n/a	n/a	30,409,402	-	-	-	-	-	-	-	30,409,402
OPEB - Money at US Bank	n/a	n/a	28,935,579	-	-	-	-	-	-	-	28,935,579
OPEB - Money at Local Investment Pool	n/a	n/a	59,988	-	-	-	-	-	-	-	59,988
Virginia State Non-Arbitrage Program	n/a	n/a	42,839,996	-	-	-	-	-	-	-	42,839,996
Evergreen Money Market Mutual Fund	n/a	n/a	23,472	-	-	-	-	-	-	-	23,472
Fair market value adjustments											
<b>Total</b>			\$ 163,079,889	77,396,150	461,276	2,162,606	2,302,596	531,922	4,016,240	-	249,950,678
<b>Restricted investments:</b>											
Money market deposit	1	n/a	-	-	-	-	-	-	-	1,972,287	1,972,287
Virginia State Non-Arbitrage Program (Expressway, Jail, and VML)	1	n/a	10,716,479	-	-	-	-	-	-	-	10,716,479
Wells Fargo Advantage Heritage - Money Market Institutional (VML)	1	n/a	9	-	-	-	-	-	-	-	9
Federated U.S. money market mutual fund	1	n/a	1,760,481	-	-	-	-	-	-	-	1,760,481
U.S. Government-sponsored discount securities	0	n/a	816,498	-	-	-	-	-	-	-	816,498
Fidelity Pt CI - money market mutual fund	1	n/a	16,391	-	-	-	-	-	-	-	16,391
PFM(Commonwealth Cash Reserve Fund) - money market mutual fund	n/a	n/a	7,860,148	-	-	-	-	-	-	-	7,860,148
First Americ Treas Oblig Fd - CID	0	n/a	15,899	-	-	-	-	-	-	-	15,899
<b>Total</b>			\$ 21,185,906	-	-	-	-	-	-	1,972,287	23,158,193
<b>Total Investments and Restricted Investments</b>			\$ 184,265,795.03	77,396,150	461,276	2,162,606	2,302,596	531,922	4,016,240	1,972,287	273,108,871

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(3) Accounts Receivable and Payable**

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2012 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 34,683,871	-
Due from Federal government	8,151,118	-
Due from customers	3,177,174	25,398,675
Property taxes receivable	29,133,196	-
Interest receivable	779,611	158,769
Other	11,966,249	-
<b>Total accounts receivable</b>	<b>\$ 87,891,219</b>	<b>25,557,444</b>

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2012 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,213,586	-	234,035	1,236,250
Due from Federal government	3,334	-	4,666,944	3,480,840
Property taxes receivable	29,133,196	-	-	-
Interest receivable	492,704	186,439	63	290
Other	11,938,147	-	203,946	2,895,604
<b>Total accounts receivable</b>	<b>\$ 74,780,967</b>	<b>186,439</b>	<b>5,104,988</b>	<b>7,612,984</b>

Property taxes receivable in the General Fund as of June 30, 2012 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 10,086,659	179,417	9,907,242
Personal property	20,278,438	1,059,037	19,219,401
Public service corporations	6,553	-	6,553
<b>Total property taxes receivable</b>	<b>\$ 30,371,650</b>	<b>1,238,454</b>	<b>29,133,196</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(3) Continued**

The total allowance for uncollectible amounts in the General Fund is \$3,398,124, which includes a \$1,096,041 allowance for uncollectible emergency medical service fees, a \$141,173 allowance for uncollectible vehicle license fees, \$5,693 allowance for uncollectible solid waste fees, \$82,763 allowance for uncollectible miscellaneous City invoices, and an \$834,000 allowance for the Gateway at SoNo receivable. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from community services.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2012 are as follows:

	Due From Customers and Others	Interest Receivable
Public Utilities Fund	\$ 15,377,375	125,774
Chesapeake Expressway Fund	230,410	-
Stormwater Management Fund	9,790,890	32,995
Internal Service Funds	105,728	100,115
<b>Total accounts receivable</b>	<b>\$ 25,504,403</b>	<b>258,884</b>

In June 2009, the City entered into an agreement with a customer to collect unpaid water billings of \$639,414 over a four-year period. Three annual payments of \$160,000 began in July 2009 with a final payment of \$159,414 due in July 2012 subsequent to year end.

Accounts payable, deposits, and accrued expenses in the Statement of Net Assets as of June 30, 2012 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 9,036,040	2,037,642
Deposits	1,552,171	810,294
Accrued expenses, excluding interest	3,120,342	72,864
Construction projects payable	5,599,636	2,486,697
Accrued interest	5,161,327	2,256,645
<b>Total accounts payable, deposits, and accrued expenses</b>	<b>\$ 24,469,516</b>	<b>7,664,142</b>

(Continued)



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2012 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	\$ 8,182,824	3,012,887	-
Capital Projects Fund	-	-	5,599,636
Other governmental funds	1,741,558	60,657	-
Total accounts payable, deposits, and accrued expenditures	\$ 9,924,382	3,073,544	5,599,636

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2012 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 2,523,760	37,116	2,084,268	1,403,585
Chesapeake Expressway Fund	266,834	12,470	194,201	853,060
Stormwater Management Fund	57,342	23,276	208,228	-
Internal Service Funds	663,829	46,755	-	-
Total accounts payable, deposits, and accrued expenses	\$ 3,511,765	119,617	2,486,697	2,256,645

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(4) Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Primary government  
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 38,507,755	2,707,033	-	41,214,788
Land - School	3,016,081	-	-	3,016,081
Intangibles	261,812,496	6,868,960	-	268,681,456
Construction in progress	116,203,137	60,071,530	(29,503,971)	146,770,696
Construction in progress - ISF	83,890	1,476,582	(83,890)	1,476,582
<b>Total capital assets, not being depreciated</b>	<b>419,623,359</b>	<b>71,124,105</b>	<b>(29,587,861)</b>	<b>461,159,603</b>
Capital assets, being depreciated:				
Buildings	186,225,558	2,410,977	-	188,636,535
Buildings - ISF	600,465	-	-	600,465
Buildings - School	398,155,725	-	-	398,155,725
Improvements other than buildings	19,729,228	578,216	-	20,307,444
Improvements other than buildings - ISF	5,911,130	-	-	5,911,130
Equipment and vehicles	23,378,073	9,586,195	(6,993,586)	25,970,682
Software, equipment and vehicles - ISF	87,116,665	13,469,808	(5,219,850)	95,366,623
Infrastructure	1,079,079,828	4,667,469	(121,343)	1,083,625,954
Infrastructure - ISF	34,734	42,850	-	77,584
<b>Total capital assets being depreciated</b>	<b>1,800,231,406</b>	<b>30,755,515</b>	<b>(12,334,779)</b>	<b>1,818,652,142</b>
Less accumulated depreciation for:				
Buildings	(69,569,866)	(4,605,296)	-	(74,175,162)
Buildings - ISF	(71,392)	(20,285)	-	(91,677)
Buildings - School	(130,998,134)	(7,713,977)	-	(138,712,111)
Improvements other than buildings	(9,053,223)	(927,740)	-	(9,980,963)
Improvements other than buildings - ISF	(709,430)	(1,089,641)	-	(1,799,071)
Equipment and vehicles	(16,872,116)	(2,348,228)	604,899	(18,615,445)
Software, equipment and vehicles - ISF	(51,185,970)	(7,371,389)	4,474,119	(54,083,240)
Infrastructure	(829,704,671)	(21,139,912)	82,418	(850,762,165)
Infrastructure - ISF	(1,954)	(1,939)	-	(3,893)
<b>Total accumulated depreciation</b>	<b>(1,108,166,756)</b>	<b>(45,218,407)</b>	<b>5,161,436</b>	<b>(1,148,223,727)</b>
<b>Total capital assets being depreciated, net</b>	<b>692,064,650</b>	<b>(14,462,892)</b>	<b>(7,173,343)</b>	<b>670,428,415</b>
<b>Capital assets, net</b>	<b>\$ 1,111,688,009</b>	<b>56,661,213</b>	<b>(36,761,204)</b>	<b>1,131,588,018</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(4) Continued**

Historically, the City has recorded all intangible assets as capital assets. In order to clarify the different types of fixed assets, in accordance with GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, a separate category for certain types of intangibles was created to report land easements and right of ways.

Governmental Activities capital assets net of accumulated depreciation at June 30, 2012 are comprised of the following:

General Government Capital Assets, net	\$ 1,084,133,515
Internal Service Fund Capital Assets, net	47,454,503
<b>Total</b>	<b>\$ 1,131,588,018</b>

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2012 as follows:

General government	\$ 6,063,488
Public safety	1,133,768
Public works	291,207
Public welfare	93,212
Parks	299,589
Education	7,713,977
Net unallocated portion (depreciation of general infrastructure assets)	21,139,912
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	8,483,254
<b>Total depreciation expense, governmental activities</b>	<b>\$ 45,218,407</b>

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$20,169,069 includes the unallocated portion of depreciation expense noted above of \$21,139,912 net of amortization of bond costs of issuance, deferred bond premiums and refunding costs of \$970,843.

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(4) Continued**

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

<b>Function</b>	<b>Project Authorization</b>	<b>Expended to June 30, 2012</b>	<b>Committed</b>	<b>Required Future Financing</b>
General government	\$ 122,354,712	34,396,721	87,957,991	none
Public safety	72,257,771	26,411,938	45,845,833	none
Public works	452,381,575	71,920,706	380,460,869	none
Parks	20,492,181	15,463,464	5,028,717	none
Education	1,458,678	54,449	1,404,229	none
<b>Total</b>	<b>\$ 668,944,917</b>	<b>148,247,278</b>	<b>520,697,639</b>	<b>-</b>

*(Continued)*

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

## (4) Continued

**Business-type activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,194,950	55,628	-	22,250,578
Intangibles	3,055,552	150,899	-	3,206,451
Construction in progress	38,766,585	18,862,788	(9,432,643)	48,196,730
Total capital assets, not being depreciated	64,017,087	19,069,315	(9,432,643)	73,653,759
Capital assets, being depreciated:				
Buildings	5,623,195	91,523	-	5,714,718
Improvements other than buildings	3,125,200	285,725	-	3,410,925
Equipment and vehicles	8,956,855	2,267,055	(1,283,991)	9,939,919
Infrastructure	636,378,359	8,246,822	-	644,625,181
Total capital assets, being depreciated	654,083,609	10,891,125	(1,283,991)	663,690,743
Less accumulated depreciation for:				
Buildings	(1,334,636)	(155,579)	-	(1,490,215)
Improvements other than buildings	(736,555)	(81,048)	-	(817,603)
Equipment and vehicles	(7,582,506)	(342,512)	244,066	(7,680,952)
Infrastructure	(207,274,208)	(15,302,727)	-	(222,576,935)
Total accumulated depreciation	(216,927,905)	(15,881,866)	244,066	(232,565,705)
Total capital assets being depreciated, net	437,155,704	(4,990,741)	(1,039,925)	431,125,038
Capital assets, net	\$ 501,172,791	14,078,574	(10,472,568)	504,778,797

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

Public Utilities	\$ 11,181,273
Chesapeake Expressway	4,122,281
Stormwater Management	578,312
Total depreciation expense, business-type activities	\$ 15,881,866

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$66.1 million at June 30, 2012. There was \$513,627 of capitalized interest incurred this fiscal year related to construction in progress.

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

## (4) Continued

## Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,732,262	55,628	-	10,787,890
Intangibles	2,183,911	21,772	-	2,205,683
Construction in progress	31,810,180	12,737,238	(6,835,568)	37,711,850
Total capital assets, not being depreciated	44,726,353	12,814,638	(6,835,568)	50,705,423
Capital assets, being depreciated:				
Buildings	73,598	91,523	-	165,121
Improvements other than buildings	3,026,653	285,725	-	3,312,378
Equipment and vehicles	3,487,111	1,552,888	(602,166)	4,437,833
Infrastructure	536,005,315	8,246,822	-	544,252,137
Total capital assets, being depreciated	542,592,677	10,176,958	(602,166)	552,167,469
Less accumulated depreciation for:				
Buildings	(36,740)	(4,817)	-	(41,557)
Improvements other than buildings	(724,237)	(76,120)	-	(800,357)
Equipment and vehicles	(2,398,763)	(280,971)	244,066	(2,435,668)
Infrastructure	(165,072,593)	(10,819,365)	-	(175,891,958)
Total accumulated depreciation	(168,232,333)	(11,181,273)	244,066	(179,169,540)
Total capital assets being depreciated, net	374,360,344	(1,004,315)	(358,100)	372,997,929
Capital assets, net	\$ 419,086,697	11,810,323	(7,193,668)	423,703,352

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

(4) Continued

**Chesapeake Expressway Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	-	3,084,151	(1,478,547)	1,605,604
<b>Total capital assets, not being depreciated</b>	<b>11,105,618</b>	<b>3,084,151</b>	<b>(1,478,547)</b>	<b>12,711,222</b>
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	5,312,979	371,693	(362,751)	5,321,921
Infrastructure	82,355,685	-	-	82,355,685
<b>Total capital assets, being depreciated</b>	<b>93,057,959</b>	<b>371,693</b>	<b>(362,751)</b>	<b>93,066,901</b>
Less accumulated depreciation for:				
Buildings	(1,256,485)	(134,732)	-	(1,391,217)
Equipment and vehicles	(5,103,618)	(38,654)	-	(5,142,272)
Infrastructure	(39,205,468)	(3,948,895)	-	(43,154,363)
<b>Total accumulated depreciation</b>	<b>(45,565,571)</b>	<b>(4,122,281)</b>	<b>-</b>	<b>(49,687,852)</b>
<b>Total capital assets being depreciated, net</b>	<b>47,492,388</b>	<b>(3,750,588)</b>	<b>(362,751)</b>	<b>43,379,049</b>
<b>Capital assets, net</b>	<b>\$ 58,598,006</b>	<b>(666,437)</b>	<b>(1,841,298)</b>	<b>56,090,271</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

## (4) Continued

**Stormwater Management Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 357,070	-	-	357,070
Intangibles	871,641	129,127	-	1,000,768
Construction in progress	6,956,405	3,041,399	(1,118,528)	8,879,276
<b>Total capital assets, not being depreciated</b>	<b>8,185,116</b>	<b>3,170,526</b>	<b>(1,118,528)</b>	<b>10,237,114</b>
Capital assets, being depreciated:				
Buildings	160,302	-	-	160,302
Improvements other than buildings	98,547	-	-	98,547
Equipment and vehicles	156,765	342,474	(319,074)	180,165
Infrastructure	18,017,359	-	-	18,017,359
<b>Total capital assets, being depreciated</b>	<b>18,432,973</b>	<b>342,474</b>	<b>(319,074)</b>	<b>18,456,373</b>
Less accumulated depreciation for:				
Buildings	(41,411)	(16,030)	-	(57,441)
Improvements other than buildings	(12,318)	(4,928)	-	(17,246)
Equipment and vehicles	(80,125)	(22,887)	-	(103,012)
Infrastructure	(2,996,147)	(534,467)	-	(3,530,614)
<b>Total accumulated depreciation</b>	<b>(3,130,001)</b>	<b>(578,312)</b>	<b>-</b>	<b>(3,708,313)</b>
<b>Total capital assets being depreciated, net</b>	<b>15,302,972</b>	<b>(235,838)</b>	<b>(319,074)</b>	<b>14,748,060</b>
<b>Capital assets, net</b>	<b>\$ 23,488,088</b>	<b>2,934,688</b>	<b>(1,437,602)</b>	<b>24,985,174</b>

(Continued)



## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

## (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	44,432,926	32,260,532	(9,421,289)	67,272,169
<b>Total capital assets, not being depreciated</b>	<b>61,709,991</b>	<b>32,260,532</b>	<b>(9,421,289)</b>	<b>84,549,234</b>
Capital assets, being depreciated:				
Buildings	96,221,404	9,421,289	-	105,642,693
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	61,793,850	5,875,635	(2,469,553)	65,199,932
Textbooks	9,769,011	2,780,143	(4,845,010)	7,704,144
<b>Total capital assets, being depreciated</b>	<b>173,388,495</b>	<b>18,077,067</b>	<b>(7,314,563)</b>	<b>184,150,999</b>
Less accumulated depreciation for:				
Buildings	(9,897,908)	(1,832,468)	-	(11,730,376)
Building improvements	(3,196,206)	(169,063)	-	(3,365,269)
Furniture and equipment	(42,266,124)	(3,900,076)	2,018,733	(44,147,467)
Textbooks	(4,952,802)	(1,953,802)	4,845,010	(2,061,594)
<b>Total accumulated depreciation</b>	<b>(60,313,040)</b>	<b>(7,855,409)</b>	<b>6,863,743</b>	<b>(61,304,706)</b>
<b>Total capital assets being depreciated, net</b>	<b>113,075,455</b>	<b>10,221,658</b>	<b>(450,820)</b>	<b>122,846,293</b>
<b>Capital assets, net</b>	<b>\$ 174,785,446</b>	<b>42,482,190</b>	<b>(9,872,109)</b>	<b>207,395,527</b>

Depreciation expense of \$7,855,409 was charged to the Public Schools' governmental functions.

## (5) Deferred Revenues

Deferred revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred revenues for the primary government's fund-based financial statements at June 30, 2012 are comprised of the following:

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 27,168,760	-	-
Personal Property Tax Relief Act	3,209,133	-	-
Emergency medical service fees	269,297	-	-
Public utilities fees	-	-	2,023,414
Stormwater management fees	-	-	7,450,672
Other	710,570	390,567	-
<b>Total deferred revenues</b>	<b>\$ 31,357,760</b>	<b>390,567</b>	<b>9,474,086</b>

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(6) Long-Term Obligations**

- (a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2012 follows:

	Balances at July 1, 2011	Increases	Decreases	Balances at June 30, 2012	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 380,153,550	91,010,000	(105,492,175)	365,671,375	38,943,043
Lease revenue bond with general obligation pledge	4,145,000		(145,000)	4,000,000	150,000
	384,298,550	91,010,000	(105,637,175)	369,671,375	39,093,043
Deferred amounts:					
Plus bond premiums	14,681,590	6,618,678	(5,334,237)	15,966,031	2,981,311
Less refunding costs	(5,335,036)	(3,885,221)	2,894,481	(6,325,776)	(1,838,020)
Total bonds payable	393,645,104	93,743,457	(108,076,931)	379,311,630	40,236,334
Other long-term obligations:					
Net pension obligation	1,591,989	24,081,250	(24,077,786)	1,595,453	-
Net OPEB obligation	32,666,853	12,301,000	(10,441,279)	34,526,574	-
Arbitrage rebate and yield restriction	336,106	-	(92,917)	243,189	-
Compensated absences	16,865,468	13,793,262	(13,141,798)	17,516,932	7,497,246
Literary loans	2,429,890	-	(509,578)	1,920,312	323,493
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	4,572,549		(1,859,497)	2,713,052	995,419
Capital leases to component unit	16,245,000		(12,340,000)	3,905,000	2,165,000
Supplemental payments agreement	18,495,000		(1,305,000)	17,190,000	1,365,000
Liability for self-insurance losses	28,621,722	6,471,505	(9,411,863)	25,681,364	5,445,865
Section 108 loan payable	390,000		(390,000)	-	-
Edinburgh loan payable	-	3,759,307	(193,270)	3,566,037	193,270
Deferred amounts:					
Plus refunding gains on supplemental payments agreement	460,625	-	(41,875)	418,750	41,875
Total long-term obligations	\$ 517,662,590	154,149,781	(181,881,794)	489,930,577	58,263,502

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(6) Continued**

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2012 follows:

	<b>Balances at July 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances at June 30, 2012</b>	<b>Due Within One Year</b>
<b>Public Utilities:</b>					
Bonds payable:					
General obligation bonds	\$ 104,410,000	42,735,000	(49,005,000)	98,140,000	4,815,000
Revenue bonds	36,385,000	-	(735,000)	35,650,000	750,000
	140,795,000	42,735,000	(49,740,000)	133,790,000	5,565,000
Deferred amounts:					
Plus bond premiums	7,405,886	5,305,763	(2,782,893)	9,928,756	814,446
Less bond discounts	(13,893)	-	1,634	(12,259)	(1,634)
Less refunding costs	(2,227,699)	(1,513,415)	268,006	(3,473,108)	(297,014)
Total bonds payable	145,959,294	46,527,348	(52,253,253)	140,233,389	6,080,798
Compensated absences	856,126	636,352	(616,495)	875,983	374,920
	146,815,420	47,163,700	(52,869,748)	141,109,372	6,455,718
<b>Chesapeake Expressway:</b>					
Revenue bonds	19,950,000	-	(480,000)	19,470,000	510,000
Less bond discount	(188,649)	-	10,482	(178,167)	(10,480)
Total bonds payable	19,761,351	-	(469,518)	19,291,833	499,520
Due to Commonwealth of Virginia	66,265,372	-	(3,054,619)	63,210,753	2,648,150
Compensated absences	103,906	82,001	(79,685)	106,222	45,464
	86,130,629	82,001	(3,603,822)	82,608,808	3,193,134
<b>Stormwater Management:</b>					
Compensated absences	220,179	178,119	(166,242)	232,056	99,320
<b>Total long-term obligations</b>	<b>\$ 233,166,228</b>	<b>47,423,820</b>	<b>(56,639,812)</b>	<b>223,950,236</b>	<b>9,748,172</b>

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2012 follows:

	July 1, 2011	Increases	Decreases	June 30, 2012	One Year
Compensated absences	\$ 38,017,122	\$ 3,635,891	\$ (2,219,317)	\$ 39,433,696	\$ 1,780,491
Net pension obligation	97,102	1,470	-	98,572	-
Net OPEB obligation	204,431,601	53,753,073	(6,624,530)	251,560,144	-
Liability for self-insurance losses	5,825,602	845,741	(1,189,695)	5,481,648	-
Capital leases	8,217,138	3,700,000	(1,915,965)	10,001,173	1,523,079
Total long-term obligations	\$ 256,588,565	61,936,175	(11,949,507)	306,575,233	3,303,570

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 Assets 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, 2012

## (6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2012 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1994A School bonds	6.60%	\$ 1,452,030	-	1,452,030	-
1996A School bonds	5.23%	2,975,000	2,975,000	-	.00% - 3.00%
1997A School bonds	5.60%	5,130,000	5,130,000	-	.00% - 3.00%
1998A School bonds	4.60% - 5.10%	2,870,000	2,870,000	-	.00% - 2.00%
1999A School bonds	5.73% - 6.10%	4,000,000	4,000,000	-	.00% - 2.00%
2000A School bonds	5.60%	4,670,000	4,670,000	-	.00% - 2.00%
2001A School bonds	4.85% - 5.10%	4,270,000	4,270,000	-	.00% - 2.00%
2001B School bonds	3.10% - 5.10%	924,345	-	924,345	-
2002A School bonds	5.10% - 5.60%	3,600,000	3,350,000	250,000	.00% - 1.00%
2002B School bonds	4.35%	575,000	-	575,000	-
2003 School Refunding bonds	4.00% - 5.25%	12,310,000	-	12,310,000	.00%
2003A School bonds	4.10% - 5.10%	1,620,000	1,520,000	100,000	.00% - 1.00%
2003A Public Improvement bonds	3.00% - 4.20%	590,000	-	590,000	.00%
2004A Public Improvement Refunding bonds	5.00%	21,920,000	9,515,000	12,405,000	.00% - 1.00%
2003 Lease Revenue bond with general obligation pledge	4.39%	4,000,000	4,000,000	-	.00% - 2.00%
2005A Public Improvement bonds	3.75% - 4.75%	2,555,000	-	2,555,000	.00%
2005A School bonds	4.10% - 5.10%	15,325,000	11,980,000	3,345,000	.00% - 1.00%
2005B School bonds	4.60% - 5.10%	7,560,000	5,910,000	1,650,000	.00% - 1.00%
2006A School bonds	4.48% - 5.10%	14,550,000	10,840,000	3,710,000	.00% - 1.00%
2006A Public Improvement bonds	4.25% - 4.50%	2,825,000	-	2,825,000	.00%
2006B School bonds	4.23% - 5.10%	14,625,000	10,820,000	3,805,000	.00% - 1.00%
2007A School bonds	4.10% - 5.10%	9,160,000	6,530,000	2,630,000	.00% - 1.00%
2007B School bonds	4.35% - 5.10%	8,280,000	5,925,000	2,355,000	.00% - 1.00%
2008A Public Improvement bonds	3.25% - 5.00%	8,465,000	5,650,000	2,815,000	.00%
2008A Public Improvement Refunding bonds	3.25% - 5.00%	14,845,000	-	14,845,000	.00%
2008B Tax Increment Financing bonds	3.25% - 4.63%	12,115,000	8,110,000	4,005,000	.00% - 1.00%
2009A School bonds	4.05% - 5.05%	32,095,000	21,130,000	10,965,000	.00% - 1.00%
2010A Tax Increment Financing, Recovery Zone Economic Dev	1.54% - 6.07%	2,355,000	1,445,000	910,000	.00%
2010A School bonds	3.05% - 5.05%	11,880,000	7,445,000	4,435,000	.00% - 1.00%
2010A-1 Public Improvement bonds	2.00% - 4.00%	6,085,000	-	6,085,000	.00%
2010A-2 Public Improvement bonds (Taxable Build America bo	3.41% - 5.36%	33,460,000	29,070,000	4,390,000	.00%
2010B-1 Tax Increment Financing bonds	2.00% - 3.00%	1,775,000	-	1,775,000	.00%
2010B-2 Tax Increment Financing bonds (Taxable Build Americ	3.41% - 5.36%	4,935,000	4,290,000	645,000	.00%
2010C-1 Tax Increment Financing bonds	2.00% - 4.00%	1,575,000	-	1,575,000	.00%
2010C-2 Tax Increment Financing bonds (Taxable Build Americ	3.41% - 5.36%	4,505,000	3,915,000	590,000	.00%
2011A Public Improvement Refunding Bonds	2.00% - 5.00%	31,920,000	-	31,920,000	.00%
2011A School Bonds	2.05% - 4.05%	9,170,000	5,675,000	3,495,000	.00% - 1.00%
2011B School Bonds (QSCB)	2.00% - 4.00%	5,000,000	-	5,000,000	.00%
2012A Public Improvement Refunding Bonds	2.00% - 4.00%	8,135,000	1,960,000	6,175,000	.00%
2012C Taxable School Refunding Bonds	.679% - .950%	25,660,000	-	25,660,000	.00%
2012D Public Improvement Refunding Bonds	2.00% - 5.00%	9,910,000	3,375,000	6,535,000	.00%
		369,671,375	186,370,000	183,301,375	
Add unamortized bond premiums		15,966,031	n/a	n/a	n/a
Less deferred refunding costs		(6,325,776)	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 379,311,630	186,370,000	183,301,375	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 1,920,312	-	1,920,312	-
Total Literary loans		\$ 1,920,312	-	1,920,312	
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	
Business-type activities					
Public Utilities - General Obligation bonds					
2003B Water and Sewer bonds	3.00% - 5.00%	\$ 1,345,000	-	1,345,000	.00%
2003C Water and Sewer Refunding bonds	2.75% - 3.50%	3,220,000	2,460,000	760,000	.00%
2004B Water and Sewer Refunding bonds	5.00%	26,495,000	19,130,000	7,365,000	.00% - 1.00%
2005B Water and Sewer Refunding bonds	3.00% - 4.00%	4,060,000	2,680,000	1,380,000	.00%
2010D Water and Sewer Refunding bonds	4.00% - 5.00%	20,625,000	20,625,000	-	.00%
2011B Water and Sewer Refunding bonds	2.00% - 5.00%	25,435,000	12,915,000	12,520,000	.00%
2012B Water and Sewer Refunding bonds	2.00% - 5.00%	16,960,000	16,960,000	-	.00%
Total Public Utilities - general obligation bonds		98,140,000	74,770,000	23,370,000	
Public Utilities - Revenue bonds					
2010A Water and Sewer Revenue bonds	2.00% - 3.00%	3,125,000	-	3,125,000	-
2010B Water and Sewer Revenue bonds	3.82% - 6.28%	32,525,000	29,040,000	3,485,000	.00%
Total Public Utilities - revenue bonds		35,650,000	29,040,000	6,610,000	
Add unamortized bond premiums		9,928,756	n/a	n/a	n/a
Less unamortized bond discount		(12,259)	n/a	n/a	n/a
Less deferred refunding costs		(3,473,108)	n/a	n/a	n/a
Total Public Utilities bonds		\$ 140,233,389			
Chesapeake Expressway - Revenue bonds:					
1999A Toll Road Revenue bonds	5.63%	\$ 19,470,000	19,470,000	-	.00% - 1.00%
Less unamortized bond discount		(178,167)	n/a	n/a	n/a
Total Chesapeake Expressway bonds		\$ 19,291,833			

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule K, Continued*

Notes to Basic Financial Statements  
June 30, 2012

**(6) Continued**

(c) 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 and business-type activities.

Year ending June 30:	Bonds			Literary Loans			Installment Purchase Agreement			Public Utilities - Bonds			Chesapeake Expressway - Bonds		
	Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest	
2013	\$ 39,093,043	15,384,778		323,493	57,609		-	64,430		5,565,000	6,340,083		510,000	1,080,844	
2014	44,275,538	13,576,112		324,034	47,905		-	64,430		5,870,000	6,124,535		535,000	1,051,453	
2015	37,624,202	12,202,724		275,104	38,184		-	64,430		6,165,000	5,892,330		565,000	1,020,516	
2016	25,599,908	10,858,406		199,537	29,930		-	64,430		6,355,000	5,661,305		600,000	987,750	
2017	21,056,535	9,708,968		199,537	23,944		-	64,430		5,775,000	5,400,763		630,000	953,156	
2018-2022	89,167,149	36,136,488		598,607	35,916		-	322,148		30,180,000	22,077,457		3,735,000	4,174,453	
2023-2027	77,480,000	18,155,991		-	-		-	322,148		32,440,000	15,171,735		4,915,000	2,965,922	
2028-2032	35,375,000	3,847,590		-	-		1,342,284	322,148		19,970,000	8,578,584		6,460,000	1,375,313	
2033-2037	-	-		-	-		-	-		13,945,000	3,859,888		1,520,000	42,750	
2038-2041	-	-		-	-		-	-		7,525,000	970,252		-	-	
	\$ 369,671,375	119,871,057		1,920,312	233,488		1,342,284	1,288,594		133,790,000	80,076,932		19,470,000	13,652,157	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

(d) In April 2012, the City issued \$9,910,000 of general obligation public improvement refunding bonds with a true interest cost of 2.34% to advance refund an outstanding issue. The refunded bonds had interest rates ranging from 4.25% to 4.50%. The net proceeds of \$11,108,794 (after an original issue premium of \$1,045,531 and payment of \$56,496 for underwriting fees and other issuance costs), along with \$209,759 held by the City to pay interest on the refunded bonds, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Assets. On June 30, 2012, \$9,540,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$1,405,256. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to or shorter than the life of the debt being refunded. This refunding resulted in an economic gain of \$300,637 and a net savings of \$525,209 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity	Principal Amount	
	<u>Date</u>	<u>Refunded</u>	<u>Call Date</u>
2006A GO Public Improvement Bonds	2017-2026	\$9,540,000	06/01/16

(e) In April 2012, the City issued \$25,660,000 of taxable general obligation school refunding bonds with a true interest cost of .91% to advance refund the refunded 2003 tax exempt school bonds. The refunded bonds had interest rates ranging from 4.00% to 5.00%. The net proceeds of \$26,017,609 (after payment of \$166,666 for underwriting fees and other issuance costs), along with \$524,275 held by the City to pay interest on the refunded bonds, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Assets. On June 30, 2012, \$24,425,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$1,241,545. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to or shorter than the life of the debt being refunded. This refunding resulted

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

in an economic gain of \$903,104 and a net savings of \$915,466 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity <u>Date</u>	Principal Amount <u>Refunded</u>	<u>Call Date</u>
2003 GO School Refunding Bonds	2014-2015	\$24,425,000	06/01/13

(f) In April 2012, the City issued \$16,960,000 of general obligation water and sewer refunding bonds with a true interest cost of 3.76% and a premium of \$1,700,642. The bonds were issued to refund outstanding 2003B Water and Sewer bonds with interest rates ranging from 3.00% to 5.00%. The net proceeds of \$18,512,950 (after a premium of \$1,700,642 and payment of \$147,692 for underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to pay the principal of and interest on the 2003B partially refunded bonds on April 17, 2012. The refunded bonds are considered to be defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Assets and from the Statement of Net Assets of the Public Utilities Funds. \$17,285,000 of the defeased bonds remains outstanding at June 30, 2012. The reacquisition price exceeded the net carrying amount of the old debt by \$409,751. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the remaining life of the refunded debt. This advance refunding resulted in an economic gain of \$1,836,582 and a net savings of \$2,312,455 in future debt service payments. The City has pledged the net revenues of the City's water and sewer system on a junior lien basis towards the payment of principal and interest on the bonds.

The amount refunded and the call dates are as follows:

	Maturity <u>Date</u>	Principal Amount <u>Refunded</u>	<u>Call Date</u>
2003B GO Water & Sewer Bonds	2024 & 2029-2033	\$17,285,000	06/01/13

(Continued)



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

(g) In April 2012, the City issued \$8,135,000 of general obligation public improvement refunding bonds with a true interest cost of 2.30% to advance refund an outstanding issue. The refunded bonds had interest rates ranging from 3.75% to 4.75%. The net proceeds of \$8,643,467 (after an original issue premium of \$575,154 and payment of \$66,687 for underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Assets. On June 30, 2012, \$7,620,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$915,057. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to or shorter than the life of the debt being refunded. This refunding resulted in an economic gain of \$307,707 and a net savings of \$337,289 in future debt service payments.

The amount refunded and the call dates are as follows:

	Maturity	Principal	
	Date	Amount	Call Date
		Refunded	
2005A GO Public Improvement Bonds	2016-2024	\$7,620,000	07/15/15

(h) In December 2011, the City sold its \$5,000,000 general obligation school bond to the Virginia Public School Authority (VPSA) to partially fund the modernization of an existing high school. The VPSA issued Qualified School Construction Bonds created by the American Recovery and Reinvestment Act of 2009 and elected to treat the bonds as specified tax credit bonds under the IRS Code enabling it to receive a direct payment of a refundable credit. VPSA will transfer to the City semi-annually the allocable portion of the refundable credit equal to approximately 100 percent of the total interest payable. In accordance with GAAP, the City appropriates the annual gross debt service and records the allocated interest reimbursement as revenue.

(i) In November 2011, the City sold \$9,170,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 3.34% and a net premium of \$832,673. The bonds were issued to partially fund the modernization of a high school.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

(j) In September, 2011, the City issued \$25,775,000 of general obligation water and sewer refunding bonds with a true interest cost of 3.01% and a premium of \$3,605,121. The bonds were issued to partially refund outstanding 2003B Water and Sewer bonds with interest rates ranging from 3.00% to 5.00%. The net proceeds of \$29,195,425 (after a premium of \$3,605,121 and payment of \$184,696 for underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to pay the principal of and interest on the 2003B partially refunded bonds on September 14, 2011. The refunded bonds are considered to be defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Assets and from the Statement of Net Assets of the Public Utilities Funds. At June 30, 2012, \$26,740,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$1,103,664. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the remaining life of the refunded debt. This advance refunding resulted in an economic gain of \$2,168,920 and a net savings of \$2,632,568 in future debt service payments. The City has pledged the net revenues of the City's water and sewer system on a junior lien basis towards the payment of principal and interest on the bonds.

The amount refunded and the call dates are as follows:

	<u>Maturity Date</u>	<u>Principal Amount Refunded</u>	<u>Call Date</u>
2003B GO Water & Sewer Bonds	2014-2023 & 2028	\$26,740,000	06/01/13

(k) In September 2011, the City issued \$33,135,000 of general obligation public improvement refunding bonds with a true interest cost of 1.40% to refund various outstanding general obligation issues as well as the Economic Development Authority's 1996 Public Facility Lease Revenue bonds (Courthouse Project). The refunded bonds had interest rates ranging from 3.00% to 5.50%. The net proceeds of \$39,333,892 (after an original issue premium of \$4,165,320 and payment of \$221,799 for underwriting fees and other issuance costs), along with \$2,255,371 held by the City in a Debt Service Reserve Fund, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Assets. On June 30, 2012, \$7,475,000 of the defeased bonds remains outstanding.

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(6) Continued**

The reacquisition price exceeded the net carrying amount of the old debt by \$323,363. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to or shorter than the life of the debt being refunded. This refunding resulted in an economic gain of \$4,343,708 and a net savings of \$4,937,886 in future debt service payments.

The refunding of the 2001 bonds and the 1996 bonds are current refundings and the refunding of the 2003 bonds is an advance refunding. The amount refunded and the call dates are as follows:

	<b>Maturity Date</b>	<b>Principal Amount Refunded</b>	<b>Call Date</b>
2001 GO Public Improvement and Refunding Bonds	2012-2017 & 2021	\$ 20,275,000	12/01/11
2003A GO Public Improvement Bonds	2014-2023	7,475,000	06/01/13
1996 Public Facility Lease Revenue Bonds	2017	10,245,000	10/14/11
<b>Total</b>		<b>\$ 37,995,000</b>	

(l) On August 17, 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City’s receipt of these taxes. The agreement provides for bi-annual principal payments and these payments are expected to take place over a five year period but that this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2012, \$3,566,037 was outstanding.

(m) 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)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(6) Continued**

(n) In December 2003, the CSB of Chesapeake, Inc., a blended component unit reported as a special revenue fund of the City, issued a \$4,940,000 lease revenue bond with a fixed interest rate of 4.39%. The City has pledged its full faith and credit for this obligation, which was incurred to construct the Community Services Board building. The holding bank may require prepayment of this bond on January 1, 2014, with at least 90 days written notice to the City. Therefore, although the bond has a maturity of July 1, 2030, the remaining principal is reflected as being due in 2014. At June 30, 2012, \$4,000,000 was outstanding.

(o) In July 1999, the City sold \$21,630,000 Chesapeake Expressway Toll Road Revenue Bonds with a stated interest rate of 5.625%. An original issue discount of \$314,414 was offered, for a true interest cost on the issue of 5.824%. The bonds, together with state and federal funds, financed a \$116 million toll road project. This toll road began operations in 2001. Revenues of the Chesapeake Expressway Enterprise Fund are used as set forth in the indenture of trust to fund operations, maintenance, and debt service on the toll road revenue bonds.

In addition, the City entered into a “City-State Agreement” with the Virginia Department of Transportation (VDOT), in which the City will repay with interest certain contributions provided by VDOT, once all funding requirements for the toll road revenue bonds have been met per the indenture and the project generates sufficient net revenues. State contributions to be repaid as of June 30, 2012 amounted to \$63,210,753. Toll Facilities Revolving Account (TFRA) principal payments of \$3,054,619 were made to VDOT in fiscal year 2012. No payment schedule has been established.

(p) In July 1997, the Commonwealth Transportation Board issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. The net proceeds were used to finance the City’s Oak Grove Connector project. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the Commonwealth Transportation Board to make annual payments equal to the debt service payments on these bonds based on the original terms of the bonds including principal amount of \$33,075,000, interest rates ranging from 5.00% to 5.25%, and a maturity date of 2022. In May 2006 the Commonwealth Transportation Board refunded the bonds maturing in the years 2008 – 2022 in the amount of \$23,830,000. The Supplemental Payments Agreement has been adjusted accordingly to reflect a total debt service savings of \$1,615,054

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

including principal savings in the amount of \$670,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City’s portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City’s share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City’s full faith and credit. The City made a \$1,305,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

The following table summarizes the City’s debt service requirements for the SPA as of June 30, 2012.

Fiscal year ending June 30:	Principal	Interest
2013	1,365,000	859,500
2014	1,435,000	791,250
2015	1,505,000	719,500
2016	1,585,000	644,250
2017	1,665,000	565,000
2018-2022	9,635,000	1,491,750
Total payments	\$ 17,190,000	5,071,250

- (q) In November 1996, the City financed a new Chesapeake Circuit Court building through financing arrangements with the EDA, a component unit of the City. Under the arrangement, the EDA issued \$24,460,000 in public facility lease revenue bonds to finance the construction, and the City leases the building from the EDA. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. In September 2011, the City issued general obligation refunding bonds and refunded the remaining outstanding 1996 EDA bonds totaling \$10,245,000 and as a result the Lease Agreement is considered terminated.
- (r) In June 1994, the City financed a 320-bed addition to the City jail through a financing agreement with the EDA. Under the arrangement, the EDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued \$16,765,000 of public facility lease

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(6) Continued**

revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds.

The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2012, the amount owed by the City under this capital lease obligation was \$3,905,000.

In addition, the Commonwealth of Virginia has agreed to reimburse the City for a portion of the capital costs and financing costs of the City jail project. This agreement was signed in June 1994. At that time, total reimbursement to the City was projected to be \$16,078,836, to be reimbursed on an installment basis for 20 years, and subject to General Assembly approval. In April 2004, March 2005 and August 2008, portions of the debt related to the City jail project were refunded. The Commonwealth has the right under the agreement to modify the reimbursement installments in the event of a refunding, but an adjusted schedule has not yet been received from the Commonwealth. Total reimbursements of \$15,052,077 have been received by the City as of June 30, 2012. The current year reimbursement was \$835,715.

- (s) 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, 2012 was the settlement date, and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Expressway Fund, or the governmental activities column of the Statement of Net Assets, 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 Assets.
- (t) The future payments by year of accumulated vacation, sick pay, and accrued overtime leave, arbitrage, net pension obligation, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension obligation and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay and accrued overtime leave liability is generally liquidated by the fund for which the employee works. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(6) Continued

obligation and net OPEB obligation are generally liquidated by the General Fund, and the liability for Self-Insurance losses is liquidated by the Self-Insurance Fund.

(u) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 8% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 30, 2011 was \$41,415,000. 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 \$257,945,097 as of June 30, 2012.

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

Assessed valuation - real estate	\$ 23,821,885,769
<hr/>	
Legal debt limit - 10% of assessed valuation	\$ 2,382,188,577
<hr/>	
Amount of debt applicable to legal debt limit:	
General bonded debt	\$ 526,193,971
Less:	
Self-supporting debt not chargeable to debt limit	102,240,000
Amounts available for debt service	37,826,437
<hr/>	
	386,127,534
<hr/>	
Legal debt margin available	\$ 1,996,061,043
<hr/>	
Percent of:	
Legal debt margin outstanding	16.2%
Legal debt margin available	83.8%
<hr/>	
	100.0%
<hr/>	
Summary of assessed valuation:	
Public service real estate	\$ 1,003,629,445
Other city real estate	22,818,256,324
<hr/>	
	\$ 23,821,885,769
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(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(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. For fiscal year 2012 management believes the City is in compliance with these policies.

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

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

On June 1, 1994, the EDA issued \$30,205,000 of Lease Revenue Bonds to finance construction of the City of Chesapeake Jail Project. The bonds are being repaid through City lease payments on the facility. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue refunding bonds, to refund the remaining outstanding 1994 Public Facility Lease Revenue Bonds of \$18,050,000. At June 30, 2012, \$3,905,000 remains outstanding, of which none are callable.

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

*(Continued)*



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(6) Continued**

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 is 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, 2012, \$1,220,000 remains outstanding, of which all 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 nonspendable classification of fund balance has been made in the General Fund for \$139,062 and in the Debt Service Fund for \$192,038 for the balance outstanding at June 30, 2012 of \$331,100.

The General Fund also budgeted and made payments of \$317,129 on behalf of the Airport Authority during fiscal year 2012. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

***Component Unit – Chesapeake Port Authority***

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$10,065 on behalf of the Port Authority during fiscal year 2012. The City is not anticipating the collection of these payments from the Port Authority.

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(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, 2012, \$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. The City is not anticipating the collection of these payments from the EDA. In addition, the City budgeted and made payments of \$891,343 on behalf of the Authority during fiscal year 2012. In connection with the addition of a new Cinemark 12 screen, state of the art, stadium seating theater in the Western Branch section of the City, the EDA committed to acquire the old theater in the event it did not sell within a reasonable time of the opening of the new theater. The City appropriated \$1,900,000 in the fiscal 2012 capital budget for the property acquisition and remarketing and this amount was transferred to the EDA during the year. As of June 30, 2012 the property remains available for resale.

Advances from the primary government to its component units as reported on the Statement of Net Assets as of June 30, 2012 is summarized as follows:

Advances to Airport Authority	\$ 331,100
Advance to Port Authority	944,407
Advance to EDA	1,319,095
Total advances to component units	2,594,602
Less allowance for uncollectible amounts	(2,263,502)
Net advances to component units	\$ 331,100

**(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 Assets or the government-wide Statement of Activities.

Individual fund interfund receivable and payable balances for the primary government at June 30, 2012 are as follows:

<b>Due To Other Funds</b>	<b>Due From Other Funds</b>
	<b>Nonmajor Governmental Funds</b>
General Fund	\$ 181,222

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(8) Continued**

These interfund balances are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund. The amount due from the nonmajor governmental funds of \$181,222 is due within one year.

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

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2012, City Council approved transfers totaling \$8,502,000 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included \$3,500,000 for Phase 1 of the Mainframe Integration, \$1,500,000 for Commerce Park, and \$1,900,000 and \$1,600,000 for improvements to Elbow Road and George Washington Highway, respectively.

Interfund transfers for the year ended June 30, 2012 are as follows:

	Transfers From Other Funds					Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Chesapeake Expressway Fund	Internal Service Funds	
<b>Transfers To Other Funds</b>						
General Fund	\$ -	22	6,444,696	-	26,757	6,471,475
Debt Service Fund	46,840,979	2,941,167	3,104,904	-	-	52,887,050
Capital Projects Fund	8,767,125	-	4,405,800	784,015	477,300	14,434,240
Nonmajor governmental funds	21,552,569	-	454,750	-	-	22,007,319
Internal Service Funds	1,131,197	-	-	-	-	1,131,197
<b>Total</b>	<b>\$ 78,291,870</b>	<b>2,941,189</b>	<b>14,410,150</b>	<b>784,015</b>	<b>504,057</b>	<b>96,931,281</b>

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

**(9) Leases**

The City and the Schools, a component unit, lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2012, the City's capital assets from governmental activities include \$30,205,000 of buildings leased from component units, \$4,490,443 of leased construction in progress and leased equipment of \$809,075. Current year amortization expense for leased assets is \$1,428,033 and is included in depreciation expense. Accumulated amortization expense for these assets is \$9,883,196.

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for governmental activities (including capital leases to component units) as of June 30, 2012 are as follows:

	Capital	Operating
Fiscal years:		
2013	3,479,370	872,209
2014	2,857,089	834,144
2015	778,566	223,656
2016	-	182,659
2017		58,602
Total future minimum lease payments	7,115,025	\$ 2,171,270
Less amounts representing interest	496,973	
Present value of minimum capital lease payments	\$ 6,618,052	

Total governmental operating lease payments for the year ended June 30, 2012 were \$1,094,684.

(Continued)

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(9) Continued**

At June 30, 2012, the Schools capital assets include \$16,832,834 of equipment financed under capital leases. Current year amortization expense for leased assets is \$2,000,413. Accumulated amortization expense for these assets is \$6,716,203. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2012 are as follows:

	<b>Capital</b>
Fiscal years:	
2013	1,792,152
2014	1,818,530
2015	1,818,530
2016	1,818,530
2017	1,342,437
2018-2022	2,711,371
Total future minimum lease payments	11,301,550
Less amounts representing interest	1,300,377
Present value of minimum capital lease payments	\$ 10,001,173

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(10) Continued**

They may retire with a reduced benefit early at age 55 with 10 years of service credit or age 50 with at least five years of service credit.

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive monthly of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.85% as elected by the City. At retirement, members can elect to Basic Benefit, the Survivor Option, a Partial Lump Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1 the COLA cannot exceed 5.00%. Under Plan 2 the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(10) Continued**

the *Code of Virginia* as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Funding Policy***

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The City and Schools have assumed this 5% member contribution through fiscal year 2010. During the 2010 session of the Virginia General Assembly, new legislation was passed that allowed localities to vote to implement new provisions to VRS for employees hired on or after July 1, 2010, that meet certain criteria. This new plan option, titled VRS Plan 2, stipulated that a locality may elect to require employees hired on or after July 1, 2010, to pay their own member contribution of 5% of their salary on a pre-tax basis to partially fund their retirement rather than the localities paying the member share on the employee's behalf. The City Council voted on June 22, 2010, to adopt this provision for new eligible employees hired on or after July 1, 2010. The City will continue to pay the 5% member contribution for all employees hired prior to July 1, 2010, and will pay the locality share for all employees. All the Schools' employees will continue to have their 5% member contribution paid by the employer. In addition, the City and Schools are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and Schools' nonprofessional employees' contribution rates for the fiscal year ended June 30, 2012 were 17.27% and 14.52%, respectively, of annual covered payrolls.

*(Continued)*

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(10) Continued**

The Schools' employees' contribution rate for professional employees for the fiscal year ended June 30, 2012 was 11.33% of annual covered payroll. The following table relates to the Schools' contribution rate for professional employees:

	Annual Required Contributions	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2012	\$ 23,589,821	23,589,821	100%
2011	18,835,577	18,835,577	100%
2010	24,340,176	24,340,176	100%

***Annual Pension Cost***

For the year ended June 30, 2012, the City's and the Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 24,077,786	2,948,411
Interest on net pension obligation	119,399	6,797
Adjustment to annual required contribution	(115,934)	(5,327)
Annual pension cost	24,081,251	2,949,881
Less contributions made	24,077,787	2,948,411
Increase (decrease) in net pension obligation	3,464	1,470
Net pension obligation at June 30, 2011	1,591,989	97,102
Net pension obligation at June 30, 2012	\$ 1,595,453	98,572

The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses of 7.50%), (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both (a) and (b) also included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

(Continued)



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

(10) Continued

Three-Year Trend Information						
Fiscal Year Ended	City			Schools' Nonprofessional Employees		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 24,081,251	100.0%	\$ 1,595,453	\$ 2,949,881	100.0%	\$ 98,572
June 30, 2011	\$ 23,544,000	100.0%	\$ 1,591,989	\$ 2,958,157	100.0%	\$ 97,102
June 30, 2010	\$ 22,330,641	100.0%	\$ 1,588,532	\$ 3,099,075	100.0%	\$ 97,112

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

	City	Schools
Actuarial accrued liability (AAL)	\$ 732,129,917	85,712,381
Less actuarial value of plan assets	545,391,980	62,210,606
Unfunded actuarial accrued liability (UAAL)	\$ 186,737,937	23,501,775
Funded ratio (actuarial value of plan assets/AAL)	74.49%	72.58%
Covered payroll	\$ 137,807,097	20,528,970
UAAL as a percentage of covered payroll	135.51%	114.48%

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

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

(11) Other Postemployment Benefits

**Plan Description**

The City's Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide access to medical and dental insurance benefits to eligible retirees and their dependents. The Post-Medicare Medical Plan is closed to employees hired July 1, 2007 or after. Plan membership as of July 1, 2012, consisted of 2,784 active service participants and 514 retirees and beneficiaries currently receiving benefits. There

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(11) Continued**

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

***Significant Accounting Policies***

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

***Funding Policy***

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2012, the City contributed \$10,441,279 to the plan, including \$2,941,279 for current premiums (60% of total premiums) and an additional \$7,500,000 to prefund benefits. Plan members receiving benefits contributed \$1,937,139, or 40% of the total premiums, through their required monthly contributions. Member contributions are 1.26% of covered payroll. Costs to administer current benefits are paid from the general fund.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(11) Continued**

For the year ended June 30, 2012, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 12,474,000
Interest on net OPEB obligation	2,287,000
Adjustment to annual required contribution	(2,460,000)
Annual OPEB cost	12,301,000
Less employer contributions made	10,441,279
Increase in net OPEB obligation	1,859,721
Net OPEB obligation at July 1, 2011	32,666,853
Net OPEB obligation at June 30, 2012	\$ 34,526,574

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

**Three-Year Trend Information**

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 12,301,000	\$ 10,441,279	84.9%	\$ 34,526,574
June 30, 2011	12,897,959	9,249,892	71.7%	32,666,853
June 30, 2010	13,598,371	7,839,357	57.6%	29,018,786

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date for fiscal year ending June 30, 2012, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 126,462,000
Less actuarial value of plan assets	29,545,621
Unfunded actuarial accrued liability (UAAL)	\$ 96,916,379
Funded ratio (actuarial value of plan assets/AAL)	23.36%
Covered payroll	\$ 153,697,499
UAAL as a percentage of covered payroll	63.06%

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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

***Actuarial Method and Assumptions***

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

In the actuarial valuation for fiscal year ending June 30, 2012 (dated August 8, 2012), 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 8.0% - 9.0% initially, reduced by 0.1% - 0.5% each year to an ultimate rate of 5.8% after seventeen years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

**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, 2011, consisted of 5,237 active service participants and 1,470 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(11) Continued**

accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund (“the Trust”). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools’ obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools’ financial statements.

***Significant Accounting Policies***

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

***Funding Policy***

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2012, the Schools contributed \$6,624,530 to the plan to pay for current premiums (63% of total premiums). Plan members receiving benefits contributed \$3,878,106, or 37% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools’ general fund.

***Annual OPEB Cost and Net OPEB Obligation***

The Schools’ annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

*(Continued)*

## CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

**(11) Continued**

For the year ended June 30, 2012, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 56,943,414
Interest on net OPEB obligation	8,177,264
Adjustment to annual required contribution	(11,367,605)
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Annual OPEB cost	53,753,073
Less employer contributions made	6,624,530
<hr/>	
Increase in net OPEB obligation	47,128,543
Net OPEB obligation at July 1, 2011	204,431,601
<hr/>	
Net OPEB obligation at June 30, 2012	\$ 251,560,144
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The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2012	\$ 53,753,073	\$ 6,624,530	12.3%	\$ 251,560,144
June 30, 2011	57,145,295	8,048,372	14.1%	204,431,601
June 30, 2010	61,603,375	10,700,540	17.4%	155,334,678

***Funded Status and Funding Progress***

Based on the most recent actuarial valuation dated July 1, 2011, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 550,012,749
Less actuarial value of plan assets	8,657,970
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 541,354,779
Funded ratio (actuarial value of plan assets/AAL)	1.6%
<hr/>	
Covered payroll	\$ 228,512,576
UAAL as a percentage of covered payroll	236.9%

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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

***Actuarial Method and Assumptions***

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

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 8.5% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after seven years and thereafter. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

*(Continued)*

Notes to Basic Financial Statements  
June 30, 2012

## (12) Fund Balances

*Primary Government*

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ 969,110	-	-	10,935	980,045
Prepaid expenditures and other assets	20,417	-	-	-	20,417
Advances to component units and other	139,062	192,038	-	-	331,100
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	1,128,589	192,038	-	23,730	1,344,357
<b>Restricted:</b>					
Cash flow emergencies	30,923,382	-	-	-	30,923,382
Tax increment financing - Greenbrier	-	-	-	12,181,322	12,181,322
Tax increment financing - South Norfolk	-	-	-	11,873,904	11,873,904
Poindexter St. construction	-	-	1,247,214	-	1,247,214
City Jail construction	-	-	2,025,546	-	2,025,546
Oak Grove connector	1,011,910	-	-	-	1,011,910
General Government	-	-	-	451,014	451,014
Public Safety	-	-	-	3,217,368	3,217,368
Public Works	-	-	108,566	481,773	590,339
Public Welfare	-	-	-	2,455,046	2,455,046
Education	-	-	-	4,339,506	4,339,506
Arbitrage rebate and yield restriction	-	243,189	-	-	243,189
Total restricted	31,935,292	243,189	3,381,326	34,999,933	70,559,740
<b>Committed:</b>					
Operating emergencies	25,769,311	-	-	-	25,769,311
Emergency event response & recovery	20,000,000	-	-	-	20,000,000
City future capital projects	6,677,098	-	-	-	6,677,098
Economic development investment program	1,065,246	-	-	-	1,065,246
Solid waste and disposal	2,838,341	-	-	-	2,838,341
General Government	7,598,381	-	20,346,199	3,890,586	31,835,166
Public Safety	1,848,138	-	-	40,477	1,888,615
Public Works	4,961	-	4,757,589	-	4,762,550
Parks	-	-	2,518,576	53,408	2,571,984
Public Welfare	-	-	-	3,985,607	3,985,607
Schools future capital projects	322,754	-	-	-	322,754
Education	1,000,000	-	-	-	1,000,000
Total committed	67,124,230	-	27,622,364	7,970,078	102,716,672
<b>Assigned:</b>					
General capital improvement	-	-	53,058,891	-	53,058,891
Debt service payments	-	37,826,437	-	-	37,826,437
General Government	-	-	-	2,987,374	2,987,374
Public Works	261,000	-	1,921,121	-	2,182,121
Public Safety	1,008,494	-	-	8,014,963	9,023,457
Public Welfare	-	-	-	3,931,231	3,931,231
Parks	-	-	13,150	770,154	783,304
Education	19,019	-	-	-	19,019
Total assigned	1,288,513	37,826,437	54,993,162	15,703,722	109,811,834
<b>Unassigned:</b>					
	33,445,706	-	-	(21,229)	33,424,477
Total fund balance	\$ 134,922,330	38,261,664	85,996,852	58,676,234	317,857,080



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(13) Deferred Compensation Plan**

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2012.

**(14) Commitments**

***Lake Gaston Pipeline Project***

On November 10, 1987, the City Council authorized the City Manager to execute a contract with the City of Virginia Beach pertaining to the design, construction, and operation of a project to provide facilities for withdrawal and transportation of water from Lake Gaston to the City and to the City of Virginia Beach. Upon execution of the contract, the City agreed to purchase a one-sixth (1/6) ownership interest in the project and, accordingly, will be entitled to use water transported by the project in proportion to its ownership interest. The City will fund one-sixth of any and all costs relating to the acquisition, design, construction, and operation of the project except for certain costs related to normal maintenance, and operation that fluctuate and which will be funded based upon the amount of water pumped through the pipeline. These costs are capitalized in the Public Utilities Fund.

***Capital Improvements Program***

The City Council adopted a five-year capital improvements program on May 8, 2012, the total estimated cost of which amounted to \$780,269,313 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.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

**(14) Continued**

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

Funds Previously Appropriated	\$ 469,376,320
General Fund - Operating Transfer	9,393,887
General Fund - Unassigned	2,085,253
General Fund - Committed for City Capital Projects	4,797,382
General Fund - Committed for Schools	1,500,000
Fee Supported Activities Fund - Assigned	250,000
E-911 Fund - Assigned	2,677,852
E-911 Fund Cash	375,000
Greenbrier TIF Fund Cash	832,025
SoNo TIF Fund Cash	5,833,790
VPA Fund Cash	750,000
Proffers	611,977
VDOT Reimbursement	50,000
Public Utilities - Fund Balance	27,739,827
Stormwater Management Fees	32,250,000
Redirects from Other Projects	4,327,107
Equipment Lease	3,592,455
Borrowing Authority - Unissued	28,804,931
Public Utilities -Borrowing Authority Revenue Supported	58,972,507
Chesapeake Expressway - Renewal & Replacement	6,000,000
Borrowing Authority - Greenbrier TIF	16,300,000
Borrowing Authority - SoNo TIF	16,000,000
Revenue Bonds - Transportation (backed by toll revenue)	76,540,600
VPSA Borrowing	11,208,400
	\$ 780,269,313

*(Continued)*

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(14) Continued

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, 2012 for the City and the Schools are as follows:

City		Schools	
Governmental Funds		Governmental Funds	
General Fund	\$ 2,831,720	General Fund	\$ 1,438,094
Capital Projects	20,307,348	Schools' Food Services	1,780
Other Governmental Funds	2,075,208	Schools' Textbooks	35,637
		Capital Projects	18,628,584
<b>Total</b>	<b>\$ 25,214,276</b>	<b>Total</b>	<b>\$ 20,104,095</b>

(15) Contingent Liabilities

*Self-Insurance*

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

	Self-insurance Risk Retention	Commercial Insurance Aggregate Coverage Limit
General and automobile liability claims	\$2,000,000	\$5,000,000
Public official, law enforcement officer and other liability	\$100,000	\$2,000,000
Workers' compensation claims	\$1,250,000	\$25,000,000

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 2/3 salary for 500 weeks and lifetime medical care. The settlements using commercial insurance did not exceed insurance coverage during the fiscal years ended June 30, 2012 and 2011. During fiscal year 2010, one settlement using commercial insurance exceeded the City's insurance

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
June 30, 2012

(15) Continued

coverage limits by \$50,000. The insurance coverage is substantially the same as in prior fiscal years, with the exception of the increase in workers' compensation self-insurance risk retention as noted above.

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

The claims liability of \$25,681,364 reported in the Self-Insurance Fund at June 30, 2012 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2012 and 2011 were as follows:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2012	\$ 28,621,722	6,471,505	9,411,863	25,681,364
6/30/2011	\$ 30,849,738	5,612,630	7,840,646	28,621,722

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a \$700,000 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 and dental claims are made through

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements  
 June 30, 2012

(15) Continued

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, 2012 are recognized as a long-term liability in the statement of net assets. 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, 2012 is \$11,545,166.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2012 and 2011 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2012	\$ 11,270,237	62,642,905	62,367,976	11,545,166
6/30/2011	\$ 10,994,551	58,723,612	58,447,926	11,270,237

*Southeastern Public Service Authority*

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

*Litigation*

The City has been put on notice of several potential claims by surrounding residents of the Battlefield Golf Club, a golf course constructed by a private entity using fly ash from Dominion Power's energy facility in Chesapeake. Fly ash is associated with contaminants such as arsenic, lead and mercury. An engineering firm hired by the City found elevated

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(15) Continued**

levels of lead and other contaminants at the site. A full environmental assessment is slated to be completed by the City very soon. The United States Environmental Protection Agency is also conducting water quality tests on, and in the vicinity of, the golf course. Residents living near the golf course filed suit against Dominion Power, the contractor that delivered the fly ash to the site, its subcontractors and the owner of the golf course.

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

***Cox Communications of Hampton Roads v. City of Chesapeake (Case No. 08-923)***

This is an action filed on April 14, 2008 to correct erroneous business personal property tax assessed on certain electronic and optical devices incorporated in the Cox Communications cable system. Cox maintains that the disputed property is not subject to local taxation as intangible personal property, while the City maintains that the property is taxable as "machines and tools". The amount of refund requested for the years 2001-2004 is \$497,068.

On April 25, 2012, the Circuit Court struck the lawsuit from its docket for lack of activity pursuant to Section 8.01-355(B) Code of Virginia, 1950, as amended. Cox has one year from the date of the Order to reinstate the lawsuit.

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

This action was filed in the United States District Court for the Eastern District of Virginia in April of 2012. The plaintiffs include the owner and operating company of a car wash business located on Great Bridge Boulevard. The property was acquired by the City by eminent domain for the sum of \$2,150,000.00. The property is integral to the Dominion Boulevard Improvement Project that is currently underway. In addition to the City, the defendants include the Virginia Department of Transportation, the Federal Highway Administration, and one employee of the City.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(15) Continued**

The lawsuit alleges improprieties in the acquisition process, breach of contract and violation of due process, equal protection and other federal laws. Plaintiffs seek damages of no less than \$9 Million. A motion to dismiss has been filed, fully briefed and argued on behalf of the City and the employee. The Court is expected to issue a ruling on the motions to dismiss at any time. The City is unable to predict the outcome of this matter.

***Pollution Remediation***

The City entered into a “Consent Agreement and Final Order” (CAFO) and an “Administrative Order for Compliance on Consent” (AOCC) with the Environmental Protection Agency (EPA ) on April 2, 2012. The CAFO and AOCC resulted from an EPA audit of the City’s Municipal Separate Storm Sewer System (MS4) VPDES permit program which was conducted in June 2010 and were the final settlements of an “Administrative Penalty Complaint” and a “Findings of Violation Order for Compliance” received by EPA in June 2011. Several actions including a payment of \$10,000 to EPA, implementation of a \$20,000 Supplemental Environmental Project (SEP) and the AOCC, implementation of the revised Public Works Regulation 758 are required by the CAFO and AOCC. In addition, the City is required to develop Municipal Yard Stormwater Housekeeping and Maintenance Plans and update and revise the existing SOP “Erosion and Sediment Control Minimum Standards, Inspections, and Enforcement” by September 29, 2012.

***Federal Award Programs***

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

**(16) Fund Deficits**

The Self-Insurance Fund, an Internal Service Fund, had a net asset deficit of \$4,152,805 at June 30, 2012. This deficit will be funded by future internal billings to other funds of the City.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(16) Continued**

The Chesapeake Expressway Fund, an Enterprise Fund, had a net asset deficit of \$18,943,825 at June 30, 2012. The deficit is primarily due to depreciation expense which began in 2001 when the Chesapeake Expressway was capitalized. Principal payments on Chesapeake Expressway debt began in January 2007. The deficit will be reduced as future toll revenue is collected.

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of \$11,830 at June 30, 2012. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of \$936,228 at June 30, 2012. This deficit consists of an advance of \$944,407 to the Port Authority from the City's General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

The Chesapeake Public Schools, a component unit, had a net asset deficit of \$39,645,283 at June 30, 2012. The deficit is primary due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation, which rose by \$47.1 million in fiscal year 2012. A plan by Schools to reduce the deficit is ongoing.

**(17) Subsequent Events**

***Recent Developments Affecting the Pension Plan***

The House and Senate enacted legislation that requires local government employees to begin paying the 5% Virginia Retirement System (VRS) member contribution beginning July 1, 2012, which is currently being paid by the local government on behalf of its employees. Local government employers must grant a 5% salary increase to offset the annual contribution. School employees hired after July 1, 2012, would begin to pay the 5% contribution upon hire. School employees hired before that date would be required to pay 1% of the contribution each year and increase by an additional 1% each subsequent year until the full 5% amount is reached in 2016. Governor Robert McDonnell put forth an amendment for the General Assembly, which was passed, to allow the change for local employees to be phased in over five years as well to match the legislation for school employees. Also under these bills a hybrid retirement plan was created composed of a defined benefit component and a defined compensation component for employees hired after January 1, 2014, except for hazardous duty employees covered under a separate law

*(Continued)*



**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(17) Continued**

enforcement officer retirement system (LEORS) or other similar programs for state employees. This retirement benefit will be based on a 1% multiplier compared to the 1.7% or 1.65% multiplier in place for existing plans. City Council voted to have certain eligible City employees pay the 1% contribution to VRS from their salary beginning July 1, 2012 and to increase the salary for those same employees by 1%. At this point, the City continues to pay the remaining 4% to VRS of the employees' share and will continue to implement the above General Assembly amendment for Plan 1 VRS members in future years until the full 5% is paid by employees.

***U.S. Route 17/Dominion Boulevard Improvement Project***

On November 15, 2012 the Chesapeake Transportation System (CTS) closed on \$150,722,520 of CTS Senior Toll Road Revenue Bonds including a complete refunding of all outstanding Chesapeake Expressway Toll Road Revenue Bonds. The bonds are rated "BBB" by Standard & Poor's and Fitch Ratings and included in the total amount of bonds was \$107,890,000 of current interest bonds, Series 2012A, and \$42,832,520 of Convertible Capital Appreciation Bonds, Series 2012B. These bonds are special limited obligations of the City payable solely from net toll road revenues of the CTS and are not backed by the City's full faith and credit or other resources. The CTS currently includes the Chesapeake Expressway and the Dominion Boulevard/Route 17 and Steel Bridge improvement project. The Dominion Boulevard toll schedule was adopted by City Council in July 2012 and included toll rates through 2035. These bonds, together with a loan from the Virginia Transportation Infrastructure Bank administered by Virginia Resources Authority in the amount of \$151,893,945, and other grants and funds from federal and state sources, will finance the Dominion Boulevard/Route 17 improvements and refund the Chesapeake Expressway Toll Road Revenue Bonds. The CTS funding totals \$399,401,901 which includes an anticipated project cost for the Dominion Boulevard/Route 17 and Steel Bridge Improvement Project of \$345,178,111, refunding of the Chesapeake Expressway 1999 bonds in the amount of \$19,318,462, capitalized interest of \$19,996,011 and other items such as a debt service reserve fund and issuance costs totaling \$14,909,317.

*(Continued)*

**CITY OF CHESAPEAKE, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2012

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**(17) Continued**

*Chesapeake Port Authority Absolution of a Debt*

The City Council denied a resolution on August 14, 2012 to write-off the current loan amount of \$944,407 owed to the City of Chesapeake from the Chesapeake Port Authority, a component unit. The City provided funds as loans to the Authority for working capital. The City has recorded an allowance of an equal amount because of the timing and certainty of collection is unknown. Given the time elapsed and the current operation of the Authority, it is not anticipated that repayment of the loan will occur.

**(18) New Pronouncements**

The GASB has issued pronouncements prior to June 30, 2012 which have an effective date that may impact future presentations.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. GASB No. 65 will be effective for the City beginning with its year ended June 30, 2013.

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

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

Required Supplementary Information  
Other Than MD&A



CITY OF CHESAPEAKE, VIRGINIA

Schedule L-1

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual - General Fund - unaudited  
 Year Ended June 30, 2012

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 281,741,856	281,741,856	284,942,753	3,200,897
Other local taxes	106,650,232	106,650,232	110,604,837	3,954,605
Licenses, permits, and fees	7,638,080	7,638,080	8,307,084	669,004
Intergovernmental revenues:				
Commonwealth of Virginia	79,663,310	80,723,974	81,758,757	1,034,783
Federal government	95,980	95,980	150,689	54,709
Recovered costs	320	320	401,258	400,938
Investment income	565,000	565,000	682,130	117,130
Revenues from use of property	247,460	449,870	468,900	19,030
Charges for services	9,150,910	9,257,520	10,241,957	984,437
Fines and forfeitures	2,231,000	2,231,000	2,675,066	444,066
Miscellaneous local revenues	252,960	424,510	748,644	324,134
<b>Total revenues</b>	<b>488,237,108</b>	<b>489,778,342</b>	<b>500,982,075</b>	<b>11,203,733</b>
<b>EXPENDITURES</b>				
Current:				
General government	103,300,537	111,675,305	106,199,038	5,476,267
Public safety	86,549,839	85,810,062	84,977,502	832,560
Public works	57,362,440	56,333,190	52,451,456	3,881,734
Parks	-	6,126,005	5,816,001	310,004
Debt Service	1,769,875	2,506,550	2,423,395	83,155
<b>Total expenditures</b>	<b>248,982,691</b>	<b>262,451,112</b>	<b>251,867,392</b>	<b>10,583,720</b>
<b>Excess of revenues over expenditures</b>	<b>239,254,417</b>	<b>227,327,230</b>	<b>249,114,683</b>	<b>21,787,453</b>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	1,178,850	3,500,655	6,471,475	2,970,820
Transfer from component units	-	-	105,028	105,028
Transfer from component unit - cash reversion	-	-	19,019	19,019
Transfers to other funds	(76,395,348)	(75,750,732)	(78,291,870)	(2,541,138)
Transfer to component units	(180,350,054)	(180,697,462)	(180,697,462)	-
<b>Total other financing sources (uses)</b>	<b>(255,566,552)</b>	<b>(252,947,539)</b>	<b>(252,393,810)</b>	<b>553,729</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(16,312,135)</b>	<b>(25,620,309)</b>	<b>(3,279,127)</b>	<b>22,341,182</b>
<b>Fund balances - beginning</b>	<b>138,201,457</b>	<b>138,201,457</b>	<b>138,201,457</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 121,889,322</b>	<b>112,581,148</b>	<b>134,922,330</b>	<b>22,341,182</b>

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

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule L-2*

Schedules of Funding Progress - Virginia Retirement System (unaudited)  
 Year Ended June 30, 2012

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**City Employees**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2011	\$ 545,391,980	732,129,917	186,737,937	74.49%	\$ 137,807,097	135.51%
June 30, 2010	531,992,504	701,216,175	169,223,671	75.87%	139,151,877	121.61%
June 30, 2009	528,016,411	640,334,257	112,317,846	82.46%	145,156,607	77.38%

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**Schools' Non-Professional Employees**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2011	\$ 62,210,606	85,712,381	23,501,775	72.60%	\$ 20,528,970	114.48%
June 30, 2010	60,621,268	82,740,524	22,119,256	73.27%	20,517,369	107.81%
June 30, 2009	59,853,949	75,675,711	15,821,762	79.09%	20,917,830	75.64%

Unaudited - see accompanying auditors' report.

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule L-3*

Schedules of Funding Progress - Other Postemployment Benefits (unaudited)  
Year Ended June 30, 2012

<b>City</b>	<b>Actuarial Valuation Date</b>	<b>For Fiscal Year Ended</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Percentage of Covered Payroll</b>
	July 1, 2012	June 30, 2012	\$ 29,545,621	126,462,000	96,916,379	23.36%	\$ 153,697,499	63.06%
	July 1, 2011	June 30, 2011	20,337,570	136,080,493	115,742,923	14.95%	152,253,276	76.02%
	July 1, 2010	June 30, 2010	12,767,941	138,582,909	125,814,968	9.21%	153,543,619	81.94%

<b>Schools</b>	<b>Actuarial Valuation Date</b>	<b>For Fiscal Year Ended</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Percentage of Covered Payroll</b>
	July 1, 2011	June 30, 2012	\$ 8,657,970	550,012,749	541,354,779	1.57%	\$ 228,512,576	236.90%
	July 1, 2010	June 30, 2011	5,511,531	500,493,509	494,981,978	1.10%	231,297,764	214.00%
	July 1, 2009	June 30, 2010	421,925	511,308,762	510,886,837	0.08%	243,345,531	209.94%

**CITY OF CHESAPEAKE, VIRGINIA****Schedule L-4**Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)  
Year Ended June 30, 2012

<b>City</b>				
<b>Fiscal year ended June 30:</b>		<b>Annual Required Contribution</b>	<b>Actual Amount Contributed in Dollars</b>	<b>Actual Amount Contributed in Percent</b>
2012	\$	12,474,000	10,441,279	83.70%
2011		13,145,782	9,249,892	70.36%
2010		13,948,705	7,839,357	56.20%

<b>Schools</b>				
<b>Fiscal year ended June 30:</b>		<b>Annual Required Contribution</b>	<b>Actual Amount Contributed in Dollars</b>	<b>Actual Amount Contributed in Percent</b>
2012	\$	56,943,414	6,624,530	11.63%
2011		59,569,434	8,048,272	13.51%
2010		63,233,129	10,700,540	16.92%

Unaudited - see accompanying auditors' report

**CITY OF CHESAPEAKE, VIRGINIA**

Note to Required Supplementary Information  
June 30, 2012

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**(1) Budgets and Budgetary Accounting**

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

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

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

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

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

The City Council may authorize supplemental appropriations during the fiscal year based on the availability of financial resources. The City Manager is



**CITY OF CHESAPEAKE, VIRGINIA**

Note to Required Supplementary Information  
June 30, 2011

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**(1) Continued**

authorized by City Council to make transfers between funds. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

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

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

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

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

Unaudited – see accompanying auditors' report.

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**Chesapeake**  
VIRGINIA

Supplementary Information -  
Combining and Individual Fund  
Schedules

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA

# General Fund

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
<b>General property taxes</b>			
Current taxes on real property	\$ 223,063,606	223,227,751	164,145
Current taxes on public service corporations	10,759,950	10,456,272	(303,678)
Current taxes on personal property	32,935,950	33,033,302	97,352
Delinquent taxes on real property	4,432,000	4,556,455	124,455
Delinquent taxes on personal property	8,321,300	10,944,618	2,623,318
Penalties, interest, and advertising	2,229,050	2,724,355	495,305
<b>Total general property taxes</b>	<b>281,741,856</b>	<b>284,942,753</b>	<b>3,200,897</b>
<b>Other local taxes</b>			
Local sales and use taxes	32,533,500	33,751,540	1,218,040
Consumer utility taxes	10,686,650	10,027,978	(658,672)
Communications sales tax	7,950,082	7,095,045	(855,037)
Business license taxes	21,753,100	24,752,986	2,999,886
Local utility consumption tax	868,700	814,049	(54,651)
Bank stock taxes	1,293,000	1,175,309	(117,691)
Taxes on recordation and wills	2,471,450	2,671,560	200,110
Tobacco taxes	4,542,500	4,690,129	147,629
Hotel and motel room taxes	3,891,500	4,139,954	248,454
Restaurant food taxes	19,627,500	20,194,924	567,424
Admission taxes	682,500	860,118	177,618
Short-term rental taxes	264,200	340,070	75,870
Pari-mutuel wagering pool tax	85,550	91,175	5,625
<b>Total other local taxes</b>	<b>106,650,232</b>	<b>110,604,837</b>	<b>3,954,605</b>
<b>Revenues from local sources</b>			
Licenses, permits, and fees:			
Bicycle licenses	50	39	(11)
Building structure and equipment permits	795,500	1,018,973	223,473
Precious metals and gems permits	4,800	4,400	(400)
Highway and driveway permits	15,500	11,910	(3,590)
Transfer fees	5,500	5,586	86
Zoning inspection fees	54,500	45,875	(8,625)
Building inspection fees	36,800	12,966	(23,834)
Electrical inspection fees	234,750	254,801	20,051
Elevator inspection fees	21,000	18,830	(2,170)
Plumbing inspection fees	135,000	172,679	37,679
Mechanical permits	267,000	333,350	66,350
Subdivision review fees	221,000	146,550	(74,450)
Solicitors permits	2,000	3,350	1,350
Taxi operators licenses	520	840	320
Motor vehicle license	5,615,910	6,052,265	436,355
Inspection fees - gas appliances	50,000	51,926	1,926
Animal license and fees	165,310	158,832	(6,478)
Rodent free certification fee	2,500	4,235	1,735
Hunting and fishing license	440	32	(408)
Rental inspection fees	10,000	9,645	(355)
<b>Total licenses, permits, and fees</b>	<b>7,638,080</b>	<b>8,307,084</b>	<b>669,004</b>
Fines and forfeitures	2,231,000	2,675,066	444,066
Investment income	565,000	682,130	117,130

(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, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Revenues from use of property:			
Rental of general property	\$ 208,820	208,853	33
Rental of recreational properties and facilities	188,220	212,734	24,514
Library rental revenue	13,510	11,458	(2,052)
Rental of showmobile	39,320	35,855	(3,465)
<b>Total revenues from use of property</b>	<b>449,870</b>	<b>468,900</b>	<b>19,030</b>
Charges for services:			
Special court costs	50,000	71,660	21,660
Law library fees	108,500	101,088	(7,412)
Accident report fees	38,000	34,067	(3,933)
Municipal court fees	45,000	55,409	10,409
Civil penalties	17,470	86,380	68,910
Non-support fees	47,000	71,155	24,155
Commonwealth's Attorney fees	6,900	24,231	17,331
Police escort fees	45,000	51,110	6,110
Sale of service - police	140,700	158,975	18,275
Fire report fees	-	1,940	1,940
Sheriff fees	22,860	22,861	1
Inmate medical fees	12,240	20,675	8,435
Sale of service - jail	1,200,290	706,463	(493,827)
Sale of service - jail inmates	76,270	65,320	(10,950)
Inmate phone system - jail	478,060	527,362	49,302
Sale of service - sheriff	1,347,040	1,256,672	(90,368)
Sale of service - public works	383,130	404,717	21,587
Engineering and administrative fees	100,000	232,122	132,122
Recreation fees	99,910	99,649	(261)
Vending machine commissions	6,700	-	(6,700)
Library fines and fees	421,680	297,930	(123,750)
Lot processing fees	50,000	14,975	(35,025)
Sale of service - planning	300	2,541	2,241
Sale of service - public information	-	647	647
Sale of publications	-	16	16
Returned check fees	19,500	16,394	(3,106)
Custodian service	50,000	122,985	72,985
Wage assignment fees	7,500	8,012	512
Sale of service - assessor	4,000	5,803	1,803
Emergency medical service fees	3,295,970	4,243,491	947,521
Administration collected fees	761,410	948,015	186,605
Wetland Board Civil fees	13,500	16,800	3,300
Passport application fee	22,500	58,871	36,371
Sale of service - Commissioner of Revenue	50,100	48,869	(1,231)
Subdivision inspection fees	180,000	217,017	37,017
Sale of service - sponsorship	-	(2,500)	(2,500)
Fire plan review fees	-	41,825	41,825
Zoning fees	18,300	23,424	5,124
Building plan fees	50,000	57,152	7,152
Inspections technology fee	61,000	64,060	3,060
E-Government subscription fee	26,690	28,543	1,853
Waste and recycling service	-	35,231	35,231
<b>Total charges for services</b>	<b>9,257,520</b>	<b>10,241,957</b>	<b>984,437</b>

(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, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from local sources, continued:</b>			
Miscellaneous local revenues:			
Sale of real property	\$ -	167,901	167,901
Sale of ARC - public works	10,000	12,905	2,905
Sale of junk and salvage	-	7,523	7,523
Escheated funds	-	61,080	61,080
Revenues from local developers	150,000	150,000	-
Other revenue	264,510	349,235	84,725
Total miscellaneous local revenues	424,510	748,644	324,134
Recovered costs:			
Insurance claims and collections	-	16,339	16,339
Other recoveries and rebates	320	382,105	381,785
Recoveries - Jury	-	2,814	2,814
Total recovered costs	320	401,258	400,938
<b>Total revenues from local sources</b>	<b>408,958,388</b>	<b>419,072,629</b>	<b>10,114,241</b>
<b>Revenues from the Commonwealth</b>			
Noncategorical aid:			
Motor vehicle carrier taxes	150,000	152,470	2,470
Mobile home titling taxes	40,000	30,479	(9,521)
Indirect costs	-	456,688	456,688
Daily rental taxes - auto	672,000	821,799	149,799
Deed taxes	575,000	598,406	23,406
Personal Property Tax Relief	28,590,001	28,590,001	-
Local aid to the Commonwealth Contra Revenue	(1,450,890)	(1,426,685)	24,205
Total noncategorical aid	28,576,111	29,223,158	647,047
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,672,290	1,650,900	(21,390)
Sheriff	8,502,140	8,467,566	(34,574)
Commissioner of the Revenue	334,865	334,518	(347)
Treasurer	348,331	349,869	1,538
Registrar/Electoral Board	74,087	143,142	69,055
Circuit court clerk	1,246,157	1,096,792	(149,365)
Agriculture	73,137	75,348	2,211
Jail project reimbursement - State	625,680	615,755	(9,925)
Total shared expenses	12,876,687	12,733,890	(142,797)

(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, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues from the Commonwealth, continued:</b>			
Other categorical aid:			
Local jail	\$ 1,961,566	2,415,065	453,499
Police	6,299,897	6,299,896	(1)
Street and highway maintenance	29,689,382	29,689,382	-
Library	174,660	174,509	(151)
Health	17,371	17,371	-
Excess fees	128,300	209,216	80,916
Transportation improvement set-aside	1,000,000	996,270	(3,730)
Total other categorical aid	39,271,176	39,801,709	530,533
Total categorical aid	52,147,863	52,535,599	387,736
<b>Total revenues from the Commonwealth</b>	<b>80,723,974</b>	<b>81,758,757</b>	<b>1,034,783</b>
<b>Revenues from the Federal Government</b>			
Noncategorical aid - Refuge Revenue Sharing Act	43,310	30,974	(12,336)
Categorical aid:			
Other federal grants	21,260	18,637	(2,623)
Drug Enforcement Agency	-	11,603	11,603
Emergency reimbursement - federal	31,410	89,475	58,065
<b>Total revenues from the Federal Government</b>	<b>95,980</b>	<b>150,689</b>	<b>54,709</b>
<b>Total revenues</b>	<b>489,778,342</b>	<b>500,982,075</b>	<b>11,203,733</b>
<b>OTHER FINANCING SOURCES</b>			
Payments from component units:			
Chesapeake Public Schools	-	105,028	105,028
Chesapeake Public Schools - cash reversion	-	19,019	19,019
Transfers from other funds	3,500,655	6,471,475	2,970,820
<b>Total other financing sources</b>	<b>3,500,655</b>	<b>6,595,522</b>	<b>3,094,867</b>
<b>Total revenues and other financing sources</b>	<b>\$ 493,278,997</b>	<b>507,577,597</b>	<b>14,298,600</b>

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund  
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -  
 Budget and Actual  
 Year Ended June 30, 2012

	Expenditures				Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total			
<b>EXPENDITURES</b>							
<b>General government:</b>							
Legislative Department - City Council	\$ 845,751	780,630	-	780,630	65,121	15,000	50,121
Executive Department:							
City manager	1,771,388	1,650,124	-	1,650,124	121,264	75,000	46,264
Public communications	1,024,676	1,014,640	-	1,014,640	10,036	-	10,036
Contingencies	1,378,490	-	-	-	1,378,490	-	1,378,490
Environmental emergencies	300,849	-	-	-	300,849	-	300,849
Emergency event - 2011 Hurricane Irene	3,056,548	2,951,907	-	2,951,907	104,641	-	104,641
Department of Law - City Attorney	1,706,619	1,657,418	-	1,657,418	49,201	-	49,201
Department of Finance:							
Commissioner of revenue	3,053,570	2,864,723	-	2,864,723	188,847	6,920	181,927
Real estate assessor	2,196,137	2,105,354	-	2,105,354	90,783	11,007	79,776
Board of equalization	4,346	2,525	-	2,525	1,821	-	1,821
City treasurer	4,324,976	4,100,760	46,434	4,147,194	177,782	15,906	161,876
Director of finance	2,104,062	1,953,153	-	1,953,153	150,909	36,407	114,502
Economic development	1,825,990	1,621,103	25,000	1,646,103	179,887	63,841	116,046
Budget director	722,073	696,093	-	696,093	25,980	41	25,939
City auditor	516,516	506,885	-	506,885	9,631	41	9,590
Independent auditors	174,704	132,295	-	132,295	42,409	-	42,409
Financial advisory services	195,597	-	-	-	195,597	59,955	135,642
Department of Human Resources:							
Human resources	1,957,969	1,819,733	-	1,819,733	138,236	91,707	46,529
HIPAA	188,685	149,947	-	149,947	38,738	38,189	549
Judicial Department:							
Circuit court	597,618	576,704	-	576,704	20,914	-	20,914
Magistrates office	69,767	63,168	-	63,168	6,599	-	6,599
General district court	319,119	315,171	-	315,171	3,948	-	3,948
Juvenile and domestic relations court	121,640	118,571	-	118,571	3,069	-	3,069
Court services unit	285,428	268,720	-	268,720	16,708	-	16,708
Commonwealth's attorney	3,522,206	3,416,687	6,823	3,423,510	98,696	-	98,696
Circuit court clerk	2,127,303	2,010,266	-	2,010,266	117,037	26,474	90,563
Sheriff	36,935,464	36,491,660	142,785	36,634,445	301,019	120,297	180,722
Law library	110,017	90,458	-	90,458	19,559	-	19,559
Department of General Services:							
Purchasing	636,013	625,226	-	625,226	10,787	540	10,247
Buildings maintenance	5,545,021	5,381,329	5,500	5,386,829	158,192	1,232	156,960
Facilities Management - building	1,281,073	1,129,665	60,826	1,190,491	90,582	12,939	77,643
Department of Public Health:							
Adult clinics	545,518	512,923	-	512,923	32,595	7,737	24,858
General clinics	1,671,802	1,665,704	-	1,665,704	6,098	-	6,098
OSHA services	599,086	591,694	-	591,694	7,392	-	7,392

(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, 2012

	Expenditures				Unexpended Balance	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total		
<b>General government, continued:</b>						
Department of Public Library:						
Public library	\$ 7,269,239	7,035,296	33,288	7,068,584	200,655	135,960
Records management	-	-	-	-	-	-
Public library state aid	174,681	174,534	-	174,534	147	6,936
Boards and Commissions:						
Planning commission	1,661,037	1,561,689	-	1,561,689	99,348	48,724
Planning department	53,988	36,961	-	36,961	17,027	17,027
Electoral board	830,567	768,438	-	768,438	62,129	62,129
Electoral workers	192,513	192,553	-	192,553	(40)	(40)
Department of Agriculture	363,829	321,874	-	321,874	41,955	41,955
Department of Neighborhood Services:						
Office of youth services	694,553	682,446	-	682,446	12,107	12,107
Housing office	124,812	120,397	-	120,397	4,415	1,283
Nondepartmental:						
Support of civic and community organizations	378,289	355,815	-	355,815	22,474	22,474
Regional cooperation and support	7,071,332	6,417,089	-	6,417,089	654,243	654,243
Other postemployment benefits	9,515,450	9,472,264	-	9,472,264	43,186	43,186
Other nondepartmental support	1,311,866	1,156,661	-	1,156,661	155,205	155,205
Chesapeake regional airport	317,129	317,129	-	317,129	-	-
Debt service	2,506,550	2,423,395	-	2,423,395	83,155	83,155
<b>Total general government</b>	<b>114,181,856</b>	<b>108,301,777</b>	<b>320,656</b>	<b>108,622,433</b>	<b>5,559,423</b>	<b>779,885</b>
<b>Public Safety:</b>						
Police department	36,796,136	36,288,084	75,865	36,363,949	432,187	121,732
Animal control	1,326,014	1,282,794	-	1,282,794	43,220	30,435
Public safety training	869,237	861,365	-	861,365	7,872	7,872
Fire department	38,819,443	38,687,585	-	38,687,585	131,858	120,304
Fire prevention bureau	1,233,543	1,198,808	-	1,198,808	34,735	12,937
Fire training	185,232	178,467	-	178,467	6,765	6,765
Fire - environmental compliance	103,575	92,224	-	92,224	11,351	11,351
Emergency medical services	-	-	-	-	-	-
Neighborhood services	3,122,543	3,076,044	-	3,076,044	46,499	46,499
Citizen call center	572,075	557,803	-	557,803	14,272	14,272
Neighborhood coordination	331,868	308,133	-	308,133	23,735	23,735
Office of zoning administration	2,154,456	2,135,129	-	2,135,129	19,327	19,327
Emergency management operations	295,939	235,201	-	235,201	60,738	9,030
<b>Total public safety</b>	<b>85,810,061</b>	<b>84,901,637</b>	<b>75,865</b>	<b>84,977,502</b>	<b>832,559</b>	<b>365,622</b>
<b>Public works:</b>						
Engineering and administration	8,977,767	8,710,614	-	8,710,614	267,153	260,387
Traffic engineering	1,981,287	1,758,420	-	1,758,420	222,867	222,517
Street maintenance	5,359,762	4,661,064	157,739	4,818,803	540,959	292,064
Bridges and structures	2,410,970	2,198,602	-	2,198,602	212,368	211,603
Bureau of drainage	1,729,206	1,687,086	-	1,687,086	42,120	42,120
Contractual services	6,778,370	6,097,846	-	6,097,846	680,524	10,488
Public works operations	565,390	555,506	-	555,506	9,884	9,884
Solid waste collection	8,387,799	7,996,499	35,719	8,032,218	355,581	108,664
SFSA	20,142,638	16,301,906	2,290,455	18,592,361	1,550,277	527,219
<b>Total public works</b>	<b>56,333,189</b>	<b>49,967,543</b>	<b>2,483,913</b>	<b>52,451,456</b>	<b>3,881,733</b>	<b>1,562,695</b>
<b>Total general government</b>	<b>199,991,917</b>	<b>196,603,314</b>	<b>400,514</b>	<b>197,094,889</b>	<b>11,433,615</b>	<b>2,342,580</b>

(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, 2012

	Expenditures				Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total			
<b>Parks:</b>							
Administration	2,131,967	1,993,262	9,632	2,002,894	129,073	103,656	25,417
Community centers	1,729,699	1,696,777	5,536	1,702,313	27,386	1,684	25,702
Parks and grounds maintenance	1,754,580	1,675,359	-	1,675,359	79,221	13,456	65,765
Parks, grounds, and building maintenance - warehouse and workorder	144,216	137,797	-	137,797	6,419	18	6,401
Portlock Galleries	8,551	7,158	-	7,158	1,393	-	1,393
Special programs	142,246	89,757	-	89,757	52,489	-	52,489
Fine arts programs	214,747	200,723	-	200,723	14,024	4,702	9,322
<b>Total parks</b>	<b>6,126,006</b>	<b>5,800,833</b>	<b>15,168</b>	<b>5,816,001</b>	<b>310,005</b>	<b>123,516</b>	<b>186,489</b>
<b>Total expenditures and encumbrances</b>	<b>262,451,112</b>	<b>248,971,790</b>	<b>2,895,602</b>	<b>251,867,392</b>	<b>10,583,720</b>	<b>2,831,718</b>	<b>7,752,002</b>
<b>OTHER FINANCING USES</b>							
Transfers to component unit:							
Public Schools	\$ 180,350,054	180,350,054	-	180,350,054	-	-	-
Mosquito Control Commission	347,408	347,408	-	347,408	-	-	-
Transfers to other funds:							
Debt Service Fund	46,840,979	46,840,979	-	46,840,979	-	-	-
Capital Projects Fund	8,767,125	8,767,125	-	8,767,125	-	-	-
Virginia Public Assistance Fund	5,540,216	5,540,216	-	5,540,216	-	-	-
Community Services Fund	5,763,372	5,763,372	-	5,763,372	-	-	-
Interagency Consortium Fund	1,745,805	1,745,805	-	1,745,805	-	-	-
Fee Supported Activities Fund	813	813	-	813	-	-	-
Grants Fund	393,525	393,525	-	393,525	-	-	-
E-911 Operations Fund	2,235,575	2,235,575	-	2,235,575	-	-	-
Chesapeake Juvenile Services Fund	1,870,420	1,870,420	-	1,870,420	-	-	-
Information Technology Fund	55,962	55,962	-	55,962	-	-	-
City Garage Fund	1,073,534	1,073,534	-	1,073,534	-	-	-
Self Insurance Fund	1,701	1,701	-	1,701	-	-	-
Parks and Recreation Fund	1,461,705	1,461,705	-	1,461,705	-	-	-
Proffer Fund	-	2,541,138	-	2,541,138	(2,541,138)	-	(2,541,138)
Total transfers to other funds	75,750,732	78,291,870	-	78,291,870	(2,541,138)	-	(2,541,138)
<b>Total other financing uses</b>	<b>256,448,194</b>	<b>258,989,332</b>	<b>-</b>	<b>258,989,332</b>	<b>(2,541,138)</b>	<b>-</b>	<b>(2,541,138)</b>
<b>Total expenditures, encumbrances, and other financing uses</b>	<b>\$ 518,899,306</b>	<b>507,961,122</b>	<b>2,895,602</b>	<b>510,856,724</b>	<b>8,042,582</b>	<b>2,831,718</b>	<b>5,210,864</b>

# 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, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment income	\$ 200,000	277,798	77,798
Revenues from use of property	54,889	54,889	-
Intergovernmental revenues:			
Commonwealth of Virginia	216,439	219,959	3,520
Federal government - American Reinvestment and Recovery Act	-	846,997	846,997
Total revenues	471,328	1,399,643	928,315
<b>EXPENDITURES</b>			
Interest on general obligation bonds	18,242,436	17,141,417	1,101,019
Interest on literary loans	72,897	72,897	-
Arbitrage	-	48,605	(48,605)
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	1,038,089	1,038,089	-
Other debt expenditures	746,000	526,429	219,571
Redemption of general obligation bonds	35,977,175	36,157,174	(179,999)
Redemption of literary loans	509,578	509,578	-
Total expenditures	56,650,605	55,558,619	1,091,986
<b>Deficiency of revenues under expenditures</b>	(56,179,277)	(54,158,976)	2,020,301
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds:			
General Fund	46,840,979	46,840,979	-
Conference Center Fund	1,000,000	1,000,000	-
Capital Projects Fund	-	2,941,167	2,941,167
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,543,790	1,445,207	(98,583)
Tax Increment Financing - South Norfolk Fund	724,694	595,267	(129,427)
Total transfers from other funds	50,173,893	52,887,050	2,713,157
Payments from component unit - Public Schools Capital Projects Fund	-	164,329	164,329
Premium on VPSA bonds	-	832,673	832,673
VPSA bonds proceeds	-	14,170,000	14,170,000
Premiums on general obligation bonds issued	-	5,786,007	5,786,007
Proceeds from general obligation bonds issued	336,000	-	(336,000)
Proceeds from general obligation refunding bonds issued	355,000	76,840,000	76,485,000
Payment to refund bond escrow agent	-	(84,369,830)	(84,369,830)
Payment to component unit - Public Schools Capital Projects Fund	-	(15,002,673)	(15,002,673)
Total other financing sources (uses)	50,864,893	51,307,556	442,663
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	(5,314,384)	(2,851,420)	2,462,964
<b>Fund balance - beginning</b>	41,113,084	41,113,084	-
<b>Fund balance - ending</b>	\$ 35,798,700	38,261,664	2,462,964

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**Chesapeake**  
VIRGINIA



# Capital Projects Fund

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



**CITY OF CHESAPEAKE, VIRGINIA**

**Schedule O**

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

Project	Appropriations	Prior Years	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
			Current Year					
General construction projects:								
General Government:								
1011210100	American with Disability Act III	8,661	-	-	-	8,661	-	8,661
1011500010	Butts Station Operation Relocation Phase I	9,700,000	-	2,419,996	2,419,996	7,280,004	-	7,280,004
1011600010	Mosquito Control Facility Relocation	3,828,000	-	-	-	3,828,000	-	3,828,000
1021200010	Facilities High Priority Renewal & Replacement	3,600,257	2,449,726	579,738	3,029,465	570,792	318,323	252,469
1021600010	Solid Waste Facility Relocation	2,170,000	-	-	-	2,170,000	-	2,170,000
1030810100	American with Disability Act II	13,366	-	2,900	2,900	10,466	-	10,466
1041600010	Western Branch Property Acquisition	1,900,000	-	1,900,000	1,900,000	-	-	-
1051000010	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000
1051600010	Disaster Recovery Backup Radio System	101,300	-	-	-	101,300	-	101,300
1061600010	Enterprise Kronos Upgrade	158,425	-	68,155	68,155	90,270	90,270	-
1070410100	Integrated Financial Management System	75,883	-	-	-	75,883	-	75,883
1070500010	Congestion Mitigation Air Quality Program	7,631	7,631	-	7,631	-	-	-
1070500100	Congestion Mitigation Air Quality Program	162,723	-	-	-	162,723	-	162,723
1070900010	TCC Land Acquisition	5,828,431	-	-	-	5,828,431	-	-
1081100010	Greenbrier - Community Center	537,896	5,828,431	-	5,828,431	-	-	-
1090900010	South Norfolk Strategic Development	2,000,000	1,490,445	5,061	1,495,506	504,494	503,249	1,245
1091100010	Greenbrier - Wayfinding Signage	236,411	11,950	55,026	66,976	169,435	49,212	120,223
1091400010	Human Services - HVAC/Emergency Exit	1,620,000	123,210	1,074,136	1,197,346	422,654	253,396	169,258
1101100010	Greenbrier Sidewalk/Crosswalk Improvement	1,086,241	1,083,308	2,934	1,086,241	-	-	-
1101200010	South Norfolk Community Development	100,000	1,474	14,649	16,123	83,877	-	83,877
1101400010	Telephone System Upgrade	19,338	-	19,338	19,338	-	-	-
1101410100	Telephone System Upgrade	73,126	-	3,936	3,936	69,190	9,184	60,006
1121100010	Enterprise Wide Technology Improvement	61,040	-	54,713	54,713	6,327	6,327	-
1121100100	Enterprise Wide Technology Improvement	90,653	-	90,653	90,653	-	-	-
1121400010	e-Government Initiative Phase II Web 2.0	82,000	-	-	-	82,000	82,000	-
1121400100	e-Government Initiative Phase II Web 2.0	236,416	197,710	38,706	236,416	-	-	-
1131200010	Greenbrier Center District - Greenbrier TIF	4,992,451	70,846	421,208	492,054	4,500,397	533,885	3,966,512
1131210100	Battlefield/Volvo Improvements	681,402	-	380,153	380,153	301,248	256,836	44,412
1140900010	Open Space & Agriculture	75,000	7,058	7,058	7,058	67,942	67,942	-
1141000010	Greenbrier TIF - Conference Center District	2,246,869	61,040	382,831	443,871	1,802,998	67,207	1,735,791
1149600010	Arts Education Center	86,352	-	-	-	86,352	-	-
1150900010	Fire Station 3 - Indian River	256,348	181,736	-	181,736	74,612	-	74,612
1151000010	Conference Center Renovations	2,754,870	1,561,703	668,200	2,229,903	524,967	223,744	301,223
1151100010	Community Quality of Life Incentive	400,000	77,311	7,015	84,325	315,675	-	315,675
1151200010	North Corporate District - Greenbrier TIF	528,090	62,633	59,904	122,537	405,553	190,096	215,457
1151300010	Enterprise Wide Tech Improvements	553,587	-	62,838	62,838	490,749	419,387	71,362
1151300010	Enterprise Wide Tech Improvements	102,395	-	102,395	102,395	-	-	-
1159810100	American with Disability Act	127	127	-	127	-	-	-
1161200010	Commerce District - Greenbrier TIF	316,854	-	59,904	59,904	256,950	256,950	-
1181000010	Greenbrier Gateway Signage	250,000	11,638	(11,638)	-	250,000	-	250,000
1181200010	Municipal District - Greenbrier TIF	23,914,522	1,475,420	734,121	2,209,541	21,704,981	18,877	21,686,104

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

Project	Appropriations	Prior Years	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
			Current Year					
General construction projects, continued:								
General Government, continued:								
11813000100	\$ 10,915,970	1,588,020	354,960		1,942,980	8,972,990	272,900	8,700,090
11912000100	7,400,000	1,105,582	3,135,512		4,241,094	3,158,906	1,185,828	1,973,078
12010000100	1,120,474	-	-		-	1,120,474	-	1,120,474
12012000100	2,759,556	14,924	366,670		381,594	2,377,962	38,232	2,339,730
12012000100	934,851	890,550	44,301		934,851	-	-	-
12210000100	395,000	391,359	(23,880)		367,479	27,521	-	27,521
12210000100	2,653,667	2,653,667	(7,177)		2,646,490	7,177	-	7,177
12309000100	2,653,667	148,212	-		148,212	116,788	-	116,788
12410000100	2,653,667	378,746	103,458		482,204	854	-	854
12715000100	483,058	-	72,629		72,629	630,636	31,313	599,323
12716000100	703,265	-	-		-	103,801	-	103,801
12805000100	1,363,037	1,259,236	-		1,259,236	2,945,404	16,745	2,928,659
12815000100	3,500,000	50,551	504,045		554,596	4,387	250	4,137
12816000100	1,000,000	-	995,613		995,613	-	-	-
12916000100	2,140,544	-	2,140,544		2,140,544	-	-	-
13006000100	388,755	388,755	-		388,755	-	-	-
13009000100	812,344	797,743	8,340		806,083	6,261	6,261	-
13315000100	750,000	-	-		-	750,000	1,800	748,200
13906000100	113,000	18,033	-		18,033	94,967	-	94,967
13913000100	700,000	-	-		-	700,000	-	700,000
14113000100	208,745	22,377	22,487		44,864	163,881	139,568	24,313
14413000100	952,946	16,705	138,257		154,962	797,985	42,608	755,377
14513000100	110,221	-	-		-	110,221	-	110,221
14513000100	159,779	152,349	7,430		159,779	-	-	-
14613000100	50,462	-	-		-	50,462	-	50,462
14613000100	200,038	200,038	-		200,038	-	-	-
15712000100	69,426	-	-		-	69,426	-	69,426
15812000100	120,338	-	-		-	120,338	-	120,338
16112000100	800,000	439,089	12,062		451,151	348,849	-	348,849
16212000100	4,768,662	-	-		-	4,768,662	-	4,768,662
16312000100	5,673,434	14,851	(7,426)		7,425	5,666,009	7,425	5,658,584
16312000100	218,938	218,938	-		-	-	-	-
1631210100	3,166,211	287	183,573		183,860	2,982,351	-	2,982,351
19112000100	700,000	224,193	(144,218)		79,975	620,025	133,200	486,825
19212000100	956,559	27,316	27,316		27,316	929,242	638,740	290,502
19212000100	4,681,861	3,982,106	699,755		4,681,861	-	-	-
1931210100	24,774	24,759	-		24,759	15	-	15
1931220100	460	-	460		460	-	-	-
19512000100	141,500	23,598	-		23,598	117,902	-	117,902
19812000100	1,366,359	800,000	13,828		813,828	552,531	-	552,531
Total General Government	136,725,899	31,132,311	17,845,410		48,977,722	87,748,177	5,793,813	81,954,364

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule O, Continued*

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance			
General construction projects, continued:								
Department of Public Safety:								
1040900200	Grade Crossing Safety & Intersection	\$ 150,000	1,221	-	1,221	148,779	-	148,779
1061100200	Land Acquisition - Fire Station #10 / Police Precinct #6	605,610	-	-	-	605,610	-	605,610
1071100200	Fire Station #10 - Design	735,000	-	-	-	735,000	-	735,000
1111600200	Logistics Support Center	632,000	-	-	-	632,000	-	632,000
1131100200	Self Contained Breathing Apparatus	620	-	-	-	620	-	620
1131100200	Self Contained Breathing Apparatus	1,293,770	1,293,770	-	1,293,770	-	-	-
1141400200	Jail HVAC/Energy Retrofit	4,000,000	600,273	3,395,824	3,996,097	3,903	11	3,892
1161100200	Police Precinct / Parks & Recreation Building	1,110,005	1,109,976	-	1,109,976	29	-	29
1220900200	Public Safety Building Addition Study	31,290	-	-	-	31,290	-	31,290
1220900200	Public Safety Building Addition Study	68,710	-	-	68,710	-	-	-
1230900200	Animal Control Bureau Shelter	840,999	813,216	7,177	820,393	20,606	-	20,606
1241000200	Public Safety Facility Design	938,139	18,679	-	18,679	919,460	-	919,460
1251500200	Restroom Renovations Firestation #4 and #13	200,000	760	3,179	3,938	196,062	114,527	81,535
1371400200	Animal Service Facility	14,249,000	6,184,649	4,310,320	10,494,969	3,754,031	551,053	3,202,978
1380800200	800 Mhz Tower Demolition	3,138	3,138	-	3,138	-	-	-
1381400200	Public Safety Site Remediation / Turn Lane Construction	1,750,000	867,737	15,868	883,606	866,394	-	866,394
1391400200	Public Safety Headquarters EOC/EDC Phase I	36,800,000	97	1,026,644	1,026,742	35,773,258	3,243,146	32,530,112
1421300200	Fire Pumper Apparatus Replacement	77,840	-	-	-	77,840	-	77,840
1591200200	Jail Phase II - Design	9,500,443	7,651,042	72,605	7,723,646	1,776,797	662,808	1,113,989
1601200200	Juvenile Court Security Improvement	58,151	-	-	-	58,151	-	58,151
1971200200	Public Safety Training Academy	300,000	91,757	-	91,757	208,243	-	208,243
1991200200	Sheriff Work Release Equipment	50,000	11,207	1,033	12,241	37,759	-	37,759
Total Department of Public Safety		73,394,716	18,716,233	8,832,651	27,548,884	45,845,832	4,571,545	41,274,287
Department of Public Works:								
1020710300	Gilmerston Bridge Repairs II	1,024,117	1,024,117	-	1,024,117	-	-	-
1020720300	Gilmerston Bridge Repairs II	218,999	-	-	-	218,999	-	218,999
1020810300	Campostella Road Culvert and Ditch Upgrade	200,000	-	-	-	200,000	-	200,000
1031200300	Grade Crossing Safety Program II	150,000	-	-	-	150,000	-	150,000
1040600300	Gilmerston Bridge Replacement	2,638,262	68,886	13	68,899	2,569,363	-	2,569,363
1040900300	Grade Crossing Safety Program	100,000	16,523	-	16,523	83,477	-	83,477
1041200300	Repairs and Maintenance Roads / Bridges	112,319	-	8,000	8,000	104,319	-	104,319
1050900300	Smart Traffic Center Phase 2	4,867,181	4,772,698	90,967	4,863,666	3,515	-	3,515
1051100300	George Washington Highway Right of Way Acquisition	915,000	8,749	8,749	868,527	46,473	37,284	9,189
1060900300	Smart Traffic Center Phase 3	1,000,000	999,893	107	1,000,000	-	-	-
1080410300	Undesignated Public Works Projects II	5,544	1,544	4,000	5,544	-	-	-
1131500300	Elbow Road Safety Improvements	103,563	-	10,985	10,985	92,578	-	92,578
1141500300	Elbow Road Phase I	1,900,000	395	-	395	1,899,605	-	1,899,605
1150500300	Master Road Plan Study	47,939	14,851	(7,426)	7,426	40,514	7,425	33,089
1150500300	Master Road Plan Study	157,061	157,061	-	157,061	-	-	-
1151500300	Bruce Road/Taylor Road Right Turn Lane	225,000	-	26,350	26,350	198,650	8,655	189,995
1161500300	Military Highway S at Baugher Avenue	231,618	-	2,586	2,586	229,032	-	229,032
1170900300	Military Highway Study and Street Lights	354,295	-	-	-	354,295	-	354,295
1170900300	Military Highway Study and Street Lights	225,705	188,695	37,010	225,705	-	-	-

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Capital Projects Fund

Schedule of Expenditures and Encumbrances - Budget and Actual  
Year Ended June 30, 2012

*Schedule O, Continued*

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
11715000300 Military Highway S at State Street	\$ 432,907	-	5,173	5,173	427,734	-	427,734
12005000300 Gum Road Multi-Use Path	267,522	267,522	-	267,522	-	-	-
1200510300 Gum Road Multi-Use Path	357,478	-	-	-	357,478	-	357,478
12105000300 Poindexter St Improvements	1,878,206	1,829,598	48,607	1,878,205	-	-	-
12106000300 Fuel Tank Leak Prevention and Detection	199,743	199,743	-	199,743	-	-	-
1210820300 Traffic Signals and Intersection Improvements	430,607	30	109,759	109,789	320,818	51,208	269,610
12110000300 Great Dismal Swamp Trail Phase I	2,201,200	475,562	19,760	495,323	1,705,877	3,505	1,702,372
12306000300 Rt. 17/Steel Bridge/Dominion Boulevard	391,659,600	24,018,399	19,468,685	43,487,084	348,172,516	5,592,914	342,579,602
12411000300 Battlefield Boulevard / Cedar Road	758,268	-	-	-	758,268	-	758,268
12411000300 Battlefield Boulevard / Cedar Road	2,984	2,984	-	2,984	-	-	-
12415000300 George Washington Highway Improvement	3,600,000	804,812	2,099,820	2,904,632	695,368	143,277	552,091
1270710300 Master Drainage Improvement II	1,963,942	1,472,137	153,305	1,625,442	338,500	35,677	302,823
12713000300 Lake Drummond Bridge Replacement	675,100	10,453	16,005	26,458	648,642	80,584	568,058
13016000300 Jerome St Outfall Drain Improvement	105,000	-	104,000	104,000	1,000	1,000	-
13116000300 Traffic Signals Improvements S. Military	247,500	-	53,296	53,296	194,204	-	194,204
13215000300 Safe Roads to School Program	158,202	-	1,400	1,400	156,802	-	156,802
13311000300 Various Intersection Improvements	697,575	401,038	1,500	402,538	295,037	-	295,037
13411000300 Various Drainage Improvements	905,250	581,705	15,007	596,712	308,539	2,176	306,363
1341120300 Various Drainage Improvements - Loxley	450,000	450,000	-	450,000	-	-	-
1341140300 Various Drainage Improvements - West Munden	1,037,548	293,559	287,417	580,976	456,572	-	-
13509000300 Route 17 Financing Study	1,751,791	1,203,866	295,000	1,498,866	252,924	104,731	148,193
13510000300 Portsmouth Boulevard Phase 4	15,218,000	488,541	125,383	613,924	14,604,076	451,525	14,152,551
13610000300 Hanbury-Battlefield Intersection & Ramp	1,700,000	1,054,014	(45,797)	1,008,217	691,783	44	691,739
1380610300 Repairs and Maintenance Roads/Bridges	56,405	45,005	8,784	53,789	2,616	-	2,616
14014000300 Community Rating System	34,000	17,481	-	17,481	16,519	16,519	-
14114003ES Various Roadway Resurfacing - ARRA	3,912,370	3,873,763	23,507	3,897,270	15,100	-	15,100
14214003ES Citywide Bridge Deck Seal Rehabilitation - ARRA	39,863	-	5,763	5,763	34,100	-	34,100
14314003ES Citywide Traffic Signal LED Upgrade - ARRA	317,128	306,672	-	306,672	10,456	-	10,456
14414003ES Dismal Swamp Canal Trail - ARRA	1,300,000	130,494	6,297	136,791	1,163,209	49,477	1,113,732
1479910300 Jordan Bridge II	123,800	105,751	-	105,751	18,049	-	18,049
15999000300 Street Lights	8,155	-	-	-	8,155	-	8,155
15999000300 Street Lights	1,047,215	1,047,215	-	1,047,215	-	-	-
16412000300 Hudgins Bridge Replacement	500,000	16,458	68,086	84,544	415,456	6,060	409,396
16512000300 Beaver Dam Bridge Replacement	557,308	24,425	463,893	488,318	68,990	68,990	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

Project	Expenditures					Unencumbered Balance		
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance			
General construction projects, continued:								
Department of Public Works continued:								
1671210300	Traffic Signal / Intersection Improvement	\$ 797,009	13,700	64,174	77,874	719,135	60,858	658,277
1831200300	Volvo / Independence Parkway Tinter	3,119,000	369,243	340,627	709,870	2,409,130	1,125,945	1,283,185
1851200300	Waters Road Ditch and Shoulder Improvement	1,509,680	1,098,572	(46,950)	1,051,622	458,058	-	458,058
1861200300	Centerville/ Blue Ridge / Featress	1,900,000	766,348	478,637	1,244,985	655,015	155,554	499,461
1871200300	Pocaty Bridge Replacement	50,762	-	-	-	50,762	-	50,762
1871200300	Pocaty Bridge Replacement	1,459,239	1,452,984	6,255	1,459,239	-	-	-
1881200300	Bells Mill Bridge Replacement	1,675,000	419,853	1,145,017	1,564,870	110,131	59,467	50,664
	Total Department of Public Works	459,581,962	51,346,370	25,503,752	76,850,122	382,731,840	8,519,447	374,212,392
Department of Libraries:								
1941201000	Library RFID System	6,283	-	-	-	6,283	-	6,283
1081401000	Library Renewal/Replacement Profiter	561,613	109,693	180,338	290,030	271,583	21,245	250,338
	Total Department of Libraries	567,896	109,693	180,338	290,030	277,866	21,245	256,621
Department of Parks and Recreation:								
1041100400	Demolition of Camp 22 Buildings	22,672	-	-	-	22,672	-	22,672
1041100400	Demolition of Camp 22 Buildings	181,979	181,979	-	181,979	-	-	-
1091600400	General Improve CommCtr/Parks	467,024	-	49,993	49,993	417,031	46,600	370,431
1150800400	Chesapeake City Park	145,215	145,215	-	145,215	-	-	-
1161300400	Deep Creek Park	4,836,361	4,266,016	461,733	4,727,749	108,612	28,612	80,000
1170500400	Parks Land Acquisition	1,683,403	1,350,099	-	1,350,099	333,304	-	333,304
1180800400	Miars Plantation	57,945	57,945	-	57,945	-	-	-
1221200400	Johnson Park Improvements	550,000	304,603	-	304,603	245,397	110,638	134,759
1260700400	Battlefield Visitor Center	2,508,750	989,152	912,985	1,902,138	606,612	164,982	441,630
1271100400	Park Shelters & Playgrounds	415,156	414,815	342	415,156	-	-	-
1271110400	Park Shelters & Playgrounds	149,278	-	-	-	149,278	-	149,278
1280900400	South Battlefield Park	53,599	53,599	-	53,599	-	-	-
1300800400	Oak Grove Lake Park	135,747	136,089	(342)	135,747	-	-	-
1301500400	Cascade Blvd. Park Lighting	219,228	-	508	508	218,720	-	218,720
1311500400	SoNo Armory Demolition	495,375	1,425	68,915	70,340	425,035	33,032	392,003
1311510400	SoNo Pedestrian Beacon Lighting	100,000	-	4,470	4,470	95,530	72,980	22,550
1320800400	Southwestern Park	763	763	-	763	-	-	-
1321600400	City Park Improvements	6,100,000	-	4,436,555	4,436,555	1,663,445	914,928	748,517
1340600400	New Park Development - Open Space	391,785	294,458	-	294,458	97,327	-	97,327

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance			
General construction projects, continued:								
Department of Parks and Recreation continued:								
1451400400 Northwest River Renovations	242,000	24,294	-	24,294	217,706	8,635	209,071	
1461400400 Centerville Park Upgrade	373,000	25,949	11,478	37,426	335,574	-	335,574	
1821200400 Comland Park	22,139	22,139	-	22,139	-	-	- *	
1841200400 Park Improvements	824,322	699,604	50,928	750,532	73,790	20,891	52,899	
1961200400 Camelot Community Center	1,519,351	1,489,729	10,939	1,500,667	18,684	-	18,684	
Total Department of Parks and Recreation	21,495,093	10,457,873	6,008,503	16,466,377	5,028,716	1,401,298	3,627,418	
Total General construction projects	691,765,565	111,762,479	58,370,654	170,133,135	521,632,430	20,307,348	501,325,082	
School capital projects:								
9050326650 Grassfield High School	1,458,678	-	54,449	54,449	1,404,229	-	1,404,229	
Total school capital projects	1,458,678	-	54,449	54,449	1,404,229	-	1,404,229	
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	693,224,243	113,973,887	58,425,103	172,398,990	520,825,251	20,307,348	500,517,903	
Less completed projects	28,077,603			27,949,989				
Construction in progress	665,146,640			144,449,002				

\* Completed Projects  
 n/a - not applicable

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**Chesapeake**  
VIRGINIA



# Special Revenue and Permanent Funds

## Special Revenue Funds:

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

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

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

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

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

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

**Solid Waste Disposal & Recycling Fund** – On October 26, 2010, City Council repealed the fee for the collection and disposal of solid waste including garbage, trash, and recyclable material effective January 1, 2011. Revenues and expenditures have reverted back to the City's General Fund as of July 1, 2011.

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

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

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

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

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

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

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

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

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

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

## Permanent Funds:

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



**CITY OF CHESAPEAKE, VIRGINIA**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	<b>Special Revenue Funds</b>			
	<b>Tax Increment Financing Greenbrier</b>	<b>Tax Increment Financing South Norfolk</b>	<b>Virginia Public Assistance</b>	<b>Community Services</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 12,181,322	11,873,904	813,152	5,699,586
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	525,093	135,752
Federal government	-	-	750,759	-
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	4,063,209
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	-	-	-	(2,212,716)
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
<b>Total assets</b>	<b>12,181,322</b>	<b>11,873,904</b>	<b>2,089,004</b>	<b>7,685,831</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	-	-	82,595	370,328
Deposits	-	-	-	-
Accrued expenditures	-	-	1,693	13,361
Deferred revenues	-	-	-	308,001
Due to other funds	-	-	-	-
Total liabilities	-	-	84,288	691,690
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	12,181,322	11,873,904	-	2,455,046
Committed	-	-	1,026,243	2,136,383
Assigned	-	-	978,473	2,402,712
Unassigned	-	-	-	-
Total fund balances	12,181,322	11,873,904	2,004,716	6,994,141
<b>Total liabilities and fund balances</b>	<b>\$ 12,181,322</b>	<b>11,873,904</b>	<b>2,089,004</b>	<b>7,685,831</b>

Special Revenue Funds						
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	Solid Waste Disposal & Recycling	E-911 Operations	Parks and Recreation	Subtotal
2,655,465	607,251	157,386	-	6,720,144	939,627	41,647,837
-	950	535,273	-	-	-	1,197,068
-	-	-	-	-	-	750,759
-	-	-	-	-	-	-
34,422	125,020	2,914	-	103,588	6,156	4,335,309
-	-	-	-	-	-	-
438,726	-	-	-	-	1,752	440,478
-	-	-	-	-	-	(2,212,716)
-	-	-	-	-	10,935	10,935
-	-	-	-	-	-	-
3,128,613	733,221	695,573	-	6,823,732	958,470	46,169,670
66,933	15,389	316,333	-	96,154	26,489	974,221
91,172	-	-	-	-	-	91,172
4,809	18,768	-	-	187	14,918	53,736
-	-	-	-	-	82,566	390,567
-	-	-	-	-	-	-
162,914	34,157	316,333	-	96,341	123,973	1,509,696
-	-	-	-	-	10,935	10,935
-	-	-	-	-	-	26,510,272
61,770	528,258	-	-	25,659	53,408	3,831,721
2,903,929	170,806	379,240	-	6,701,732	770,154	14,307,046
-	-	-	-	-	-	-
2,965,699	699,064	379,240	-	6,727,391	834,497	44,659,974
3,128,613	733,221	695,573	-	6,823,732	958,470	46,169,670

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	<b>Special Revenue Funds</b>			
	<b>Community Corrections</b>	<b>Fee Supported Activities</b>	<b>Grants</b>	<b>Community Development</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 83,445	1,377,177	1,652,207	-
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	39,182	-
Federal government	-	-	2,394,626	291,820
Federal government - American Reinvestment and Recovery Act	-	-	43,635	-
Receivables:				
Accounts receivable	-	245,871	41,513	-
Interest receivable	-	-	-	-
Other	-	-	19,906	20,000
Allowance for uncollectible amounts	-	5,243	-	-
Inventory of materials and supplies	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
<b>Total assets</b>	<b>83,445</b>	<b>1,628,291</b>	<b>4,191,069</b>	<b>311,820</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	-	299,095	236,016	141,054
Deposits	-	-	-	-
Accrued expenditures	-	1,148	4,399	1,374
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	181,222
Total liabilities	-	300,243	240,415	323,650
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	2,795,046	-
Committed	-	14,818	1,155,608	9,399
Assigned	83,445	1,313,230	-	-
Unassigned	-	-	-	(21,229)
Total fund balances	83,445	1,328,048	3,950,654	(11,830)
<b>Total liabilities and fund balances</b>	<b>\$ 83,445</b>	<b>1,628,291</b>	<b>4,191,069</b>	<b>311,820</b>

Schedule P-1, Continued

Open Space Agriculture Preservation	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
1,328,665	5,518,854	97,521	716,061	174,680	13,587	52,610,034
-	-	-	-	-	-	1,236,250
-	-	-	-	-	-	3,437,205
-	-	-	-	-	-	43,635
-	-	-	-	-	-	4,622,693
-	-	-	-	271	19	290
-	-	-	-	-	-	480,384
-	-	-	-	-	-	(2,207,473)
-	-	-	-	-	-	10,935
816,285	-	-	-	-	-	816,285
2,144,950	5,518,854	97,521	716,061	174,951	13,606	61,050,238
-	-	-	-	-	-	1,650,386
-	-	-	-	-	-	91,172
-	-	-	-	-	-	60,657
-	-	-	-	-	-	390,567
-	-	-	-	-	-	181,222
-	-	-	-	-	-	2,374,004
-	-	-	-	11,295	1,500	23,730
-	5,518,854	-	-	163,656	12,106	34,999,934
2,144,950	-	97,521	716,061	-	-	7,970,078
-	-	-	-	-	-	15,703,721
-	-	-	-	-	-	(21,229)
2,144,950	5,518,854	97,521	716,061	174,951	13,606	58,676,234
2,144,950	5,518,854	97,521	716,061	174,951	13,606	61,050,238

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2012

	<b>Special Revenue Funds</b>			
	<b>Tax Increment Financing Greenbrier</b>	<b>Tax Increment Financing South Norfolk</b>	<b>Virginia Public Assistance</b>	<b>Community Services</b>
<b>REVENUES</b>				
Taxes on real property	\$ 4,203,228	3,985,671	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	5,127,629	7,733,679
Federal government	-	-	9,587,534	1,058,218
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Recovered costs	-	-	15,998	1,687
Investment income	29,693	28,981	3,176	14,976
Charges for services	-	-	713	3,631,831
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	-	-
Program income	-	-	-	-
Total revenues	4,232,921	4,014,652	14,735,050	12,440,391
<b>EXPENDITURES</b>				
Current:				
General government	48,602	39,534	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks	-	-	-	-
Public welfare	-	-	20,121,135	17,476,182
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	33,625
Capital outlay	-	-	-	122,550
Debt service	-	-	-	-
Total expenditures	48,602	39,534	20,121,135	17,632,357
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,184,319</b>	<b>3,975,118</b>	<b>(5,386,085)</b>	<b>(5,191,966)</b>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	-	-	5,540,216	5,763,372
Transfers to other funds	(4,742,892)	(4,370,023)	(217,500)	(340,405)
Total other financing sources (uses)	(4,742,892)	(4,370,023)	5,322,716	5,422,967
<b>Net change in fund balance</b>	<b>(558,573)</b>	<b>(394,905)</b>	<b>(63,369)</b>	<b>231,001</b>
<b>Fund balance - beginning</b>	<b>12,739,895</b>	<b>12,268,809</b>	<b>2,068,085</b>	<b>6,763,140</b>
<b>Fund balance - ending</b>	<b>\$ 12,181,322</b>	<b>11,873,904</b>	<b>2,004,716</b>	<b>6,994,141</b>

Special Revenue Funds						
Conference Center	Chesapeake Juvenile Services	Interagency Consortium	Solid Waste Disposal & Recycling	E-911 Operations	Parks and Recreation	Subtotal
-	-	-	-	-	-	8,188,899
-	-	-	-	5,043,468	-	5,043,468
2,002,667	-	-	-	-	-	2,002,667
582,689	-	-	-	-	-	582,689
832,210	-	-	-	-	-	832,210
190,853	-	-	-	-	113,055	303,908
-	2,162,614	1,989,841	-	1,148,921	-	18,162,684
-	-	-	-	-	-	10,645,752
-	-	-	-	-	-	-
16,948	1,496,481	78,668	-	2,000	548	1,612,330
6,072	1,923	402	-	16,764	-	101,987
441,615	9,612	-	-	-	1,072,941	5,156,712
1,282,884	-	-	-	-	13,301	1,296,185
10	-	-	-	-	3,900	3,910
-	-	-	-	-	-	-
5,355,948	3,670,630	2,068,911	-	6,211,153	1,203,745	53,933,401
4,142,687	5,413,375	-	-	-	-	9,644,198
-	-	-	-	7,740,597	-	7,740,597
-	-	-	-	-	-	-
-	-	-	-	-	2,365,829	2,365,829
-	-	3,582,226	-	-	-	41,179,543
-	-	-	-	-	-	33,625
34,135	-	-	-	320,520	-	477,205
-	-	-	-	-	-	-
4,176,822	5,413,375	3,582,226	-	8,061,117	2,365,829	61,440,997
1,179,126	(1,742,745)	(1,513,315)	-	(1,849,964)	(1,162,084)	(7,507,596)
-	1,870,420	1,823,423	-	2,235,575	1,461,705	18,694,711
(1,006,072)	(1,923)	(402)	(2,818,763)	(16,764)	-	(13,514,744)
(1,006,072)	1,868,497	1,823,021	(2,818,763)	2,218,811	1,461,705	5,179,967
173,054	125,752	309,706	(2,818,763)	368,847	299,621	(2,327,629)
2,792,645	573,312	69,534	2,818,763	6,358,544	534,876	46,987,603
2,965,699	699,064	379,240	-	6,727,391	834,497	44,659,974

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2012

	<b>Special Revenue Funds</b>			
	<b>Community Corrections</b>	<b>Fee Supported Activities</b>	<b>Grants</b>	<b>Community Development</b>
<b>REVENUES</b>				
Taxes on real property	\$ -	-	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	2,422,581	-
Federal government	-	-	3,344,444	2,864,911
Federal government - American Reinvestment and Recovery Act	-	-	1,395,485	-
Recovered costs	-	15,356	2,215	-
Investment income	-	3,369	2,788	-
Charges for services	-	901,936	265,635	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	314,685	-
Program income	-	-	-	158,692
Total revenues	-	920,661	7,747,833	3,023,603
<b>EXPENDITURES</b>				
Current:				
General government	-	-	2,578,686	-
Public safety	-	919,358	3,688,594	-
Public works	-	-	19,868	-
Parks	-	-	84,469	-
Public welfare	-	-	539,585	2,634,722
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Capital outlay	-	51,020	2,078,852	-
Debt service	-	-	-	390,456
Total expenditures	-	970,378	8,990,054	3,025,178
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(49,717)	(1,242,221)	(1,575)
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers from other funds	-	813	445,228	-
Transfers to other funds	-	(3,369)	(53,480)	-
Total other financing sources (uses)	-	(2,556)	391,748	-
<b>Net change in fund balance</b>	-	(52,273)	(850,473)	(1,575)
<b>Fund balance - beginning</b>	83,445	1,380,321	4,801,127	(10,255)
<b>Fund balance - ending</b>	\$ 83,445	1,328,048	3,950,654	(11,830)



Schedule P-2, Continued

Open Space Agriculture Preservation	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Proffers	Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
271,284	-	-	-	-	-	8,460,183
-	-	-	-	-	-	5,043,468
-	-	-	-	-	-	2,002,667
-	-	-	-	-	-	582,689
-	-	-	-	-	-	832,210
35,200	-	-	-	-	-	339,108
184	-	-	-	-	-	20,585,449
1,550,000	-	-	-	-	-	18,405,107
-	-	-	-	-	-	1,395,485
-	-	-	-	-	-	1,629,901
269,752	-	238	2,852	1,405	112	382,503
-	-	-	-	-	-	6,324,283
-	703,968	-	-	-	-	1,296,185
-	-	-	-	-	-	1,022,563
-	-	-	-	-	-	158,692
2,126,420	703,968	238	2,852	1,405	112	68,460,493
6,895	-	-	-	-	-	12,229,779
-	-	-	-	-	-	12,348,549
-	-	-	-	-	-	19,868
-	-	-	-	-	-	2,450,298
-	-	-	25	-	-	44,353,875
-	-	-	-	-	-	33,625
3,300,000	-	-	-	-	-	5,907,077
-	-	-	325,429	-	-	715,885
3,306,895	-	-	325,454	-	-	78,058,956
(1,180,475)	703,968	238	(322,602)	1,405	112	(9,598,463)
-	2,541,138	-	325,429	-	-	22,007,319
(67,674)	(770,883)	-	-	-	-	(14,410,150)
(67,674)	1,770,255	-	325,429	-	-	7,597,169
(1,248,149)	2,474,223	238	2,827	1,405	112	(2,001,294)
3,393,099	3,044,631	97,283	713,234	173,546	13,494	60,677,528
2,144,950	5,518,854	97,521	716,061	174,951	13,606	58,676,234

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-3*

Tax Increment Financing Greenbrier Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Uses - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes on real property	\$ 4,241,940	4,203,228	(38,712)
Investment income	-	29,693	29,693
<b>Total revenues</b>	<b>4,241,940</b>	<b>4,232,921</b>	<b>(9,019)</b>
<b>EXPENDITURES</b>			
General government	107,864	48,602	59,262
<b>Total expenditures</b>	<b>107,864</b>	<b>48,602</b>	<b>59,262</b>
<b>Excess of revenues over expenditures</b>	<b>4,134,076</b>	<b>4,184,319</b>	<b>50,243</b>
<b>OTHER FINANCING USES</b>			
Transfer to other funds	(4,811,782)	(4,742,892)	68,890
<b>Total other financing uses</b>	<b>(4,811,782)</b>	<b>(4,742,892)</b>	<b>68,890</b>
<b>Net change in fund balance</b>	<b>(677,706)</b>	<b>(558,573)</b>	<b>119,133</b>
<b>Fund balance - beginning</b>	<b>12,739,895</b>	<b>12,739,895</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 12,062,189</b>	<b>12,181,322</b>	<b>119,133</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-4*

Tax Increment Financing South Norfolk Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Uses - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes on real property	\$ 3,769,060	3,985,671	216,611
Investment income	-	28,981	28,981
<b>Total revenues</b>	<b>3,769,060</b>	<b>4,014,652</b>	<b>245,592</b>
<b>EXPENDITURES</b>			
General government	526,826	39,534	487,292
<b>Total expenditures</b>	<b>526,826</b>	<b>39,534</b>	<b>487,292</b>
<b>Excess of revenues over expenditures</b>	<b>3,242,234</b>	<b>3,975,118</b>	<b>732,884</b>
<b>OTHER FINANCING USES</b>			
Transfer to other funds	(4,470,469)	(4,370,023)	100,446
<b>Total other financing uses</b>	<b>(4,470,469)</b>	<b>(4,370,023)</b>	<b>100,446</b>
<b>Net change in fund balance</b>	<b>(1,228,235)</b>	<b>(394,905)</b>	<b>833,330</b>
<b>Fund balance - beginning</b>	<b>12,268,809</b>	<b>12,268,809</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 11,040,574</b>	<b>11,873,904</b>	<b>833,330</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-5*

Virginia Public Assistance Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,903,550	5,127,629	(775,921)
Federal government	9,500,157	9,587,534	87,377
Total intergovernmental revenue	15,403,707	14,715,163	(688,544)
Recovered costs	5,500	15,998	10,498
Investment income	-	3,176	3,176
Charges for services	4,500	713	(3,787)
Total revenues	15,413,707	14,735,050	(678,657)
<b>EXPENDITURES</b>			
Public welfare:			
Bureau of Public Assistance	6,805,138	6,307,452	497,686
Administration	3,754,570	3,639,370	115,200
Employment Service Program/VIEW	5,209,865	5,026,334	183,531
Food Stamp Administration	5,199,774	5,034,579	165,195
Other special programs	116,528	113,400	3,128
Total expenditures	21,085,875	20,121,135	964,740
<b>Deficiency of revenues under expenditures</b>	<b>(5,672,168)</b>	<b>(5,386,085)</b>	<b>286,083</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	5,540,216	5,540,216	-
Transfer to other funds	(215,524)	(217,500)	(1,976)
Total other financing sources (uses)	5,324,692	5,322,716	(1,976)
<b>Net change in fund balance</b>	<b>(347,476)</b>	<b>(63,369)</b>	<b>284,107</b>
<b>Fund balance - beginning</b>	<b>2,068,085</b>	<b>2,068,085</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,720,609</b>	<b>2,004,716</b>	<b>284,107</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-6*

Community Services Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 876,649	877,244	595
Mental health grants	6,304,581	6,070,902	(233,679)
Mental retardation grants	717,617	785,533	67,916
Total from the Commonwealth of Virginia	7,898,847	7,733,679	(165,168)
From the Federal government:			
Substance abuse and mental health and retardation grant	1,153,450	1,058,218	(95,232)
Charges for services:			
Mental health fees	2,306,030	2,247,058	(58,972)
Mental retardation fees	1,532,450	1,159,065	(373,385)
Substance abuse fees	143,600	225,708	82,108
Total charges for services	3,982,080	3,631,831	(350,249)
Recovered costs	-	1,687	1,687
Investment income	-	14,976	14,976
Total revenues	13,034,377	12,440,391	(593,986)
<b>EXPENDITURES</b>			
Public welfare	19,449,425	17,476,182	1,973,243
Capital outlay	835,140	122,550	712,590
Total expenditures	20,284,565	17,598,732	2,685,833
<b>Deficiency of revenues under expenditures</b>	<b>(7,250,188)</b>	<b>(5,158,341)</b>	<b>2,091,847</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	5,763,372	5,763,372	-
Transfer to Elizabeth River Properties of Chesapeake, Inc.	(33,625)	(33,625)	-
Transfer to other funds	(325,429)	(340,405)	(14,976)
Total other financing sources (uses)	5,404,318	5,389,342	(14,976)
<b>Net change in fund balance</b>	<b>(1,845,870)</b>	<b>231,001</b>	<b>2,076,871</b>
<b>Fund balance - beginning</b>	<b>6,763,140</b>	<b>6,763,140</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 4,917,270</b>	<b>6,994,141</b>	<b>2,076,871</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-7*

Conference Center Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Uses - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Restaurant food tax	\$ 1,925,500	2,002,667	77,167
Lodging sales tax	553,500	582,689	29,189
Lodging flat tax	907,760	832,210	(75,550)
Revenues from use of property	240,000	190,853	(49,147)
Recovered costs	15,000	16,948	1,948
Investment income	-	6,072	6,072
Charges for services	480,000	441,615	(38,385)
Sale of food and beverages	1,525,000	1,282,884	(242,116)
Miscellaneous revenue	-	10	10
Total revenues	5,646,760	5,355,948	(290,812)
<b>EXPENDITURES</b>			
General government	4,754,601	4,142,687	611,914
Capital outlay	52,215	34,135	18,080
Total expenditures	4,806,816	4,176,822	629,994
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>839,944</b>	<b>1,179,126</b>	<b>339,182</b>
<b>OTHER FINANCING USES</b>			
Transfer to other funds	(1,000,000)	(1,006,072)	(6,072)
Total other financing uses	(1,000,000)	(1,006,072)	(6,072)
<b>Net change in fund balance</b>	<b>(160,056)</b>	<b>173,054</b>	<b>333,110</b>
<b>Fund balance - beginning</b>	<b>2,792,645</b>	<b>2,792,645</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 2,632,589</b>	<b>2,965,699</b>	<b>333,110</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-8*

Chesapeake Juvenile Services Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,085,680	2,162,614	76,934
Recovered costs	1,387,000	1,496,481	109,481
Investment income	-	1,923	1,923
Charges for services	9,500	9,612	112
Total revenues	3,482,180	3,670,630	188,450
<b>EXPENDITURES</b>			
General government	5,554,432	5,413,375	141,057
Total expenditures	5,554,432	5,413,375	141,057
<b>Deficiency of revenues under expenditures</b>	<b>(2,072,252)</b>	<b>(1,742,745)</b>	<b>329,507</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,870,420	1,870,420	-
Transfer to the General Fund	-	(1,923)	(1,923)
Total other financing sources (uses)	1,870,420	1,868,497	(1,923)
<b>Net change in fund balance</b>	<b>(201,832)</b>	<b>125,752</b>	<b>327,584</b>
<b>Fund balance - beginning</b>	<b>573,312</b>	<b>573,312</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 371,480</b>	<b>699,064</b>	<b>327,584</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-9*

Interagency Consortium Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,123,734	1,989,841	(133,893)
Recovered costs	-	78,668	78,668
Investment income	-	402	402
Charges for services	-	-	-
Total revenues	2,123,734	2,068,911	(54,823)
<b>EXPENDITURES</b>			
Public welfare:			
Contract services	3,678,162	3,364,580	313,582
Administrative expenses	270,295	217,646	52,649
Total expenditures	3,948,457	3,582,226	366,231
<b>Deficiency of revenues under expenditures</b>	<b>(1,824,723)</b>	<b>(1,513,315)</b>	<b>311,408</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,745,805	1,745,805	-
Transfer from other funds	77,618	77,618	-
Transfer to the General Fund	-	(402)	(402)
Total other financing sources (uses)	1,823,423	1,823,021	(402)
<b>Net change in fund balance</b>	<b>(1,300)</b>	<b>309,706</b>	<b>311,006</b>
<b>Fund balance - beginning</b>	<b>69,534</b>	<b>69,534</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 68,234</b>	<b>379,240</b>	<b>311,006</b>



**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-10*

E-911 Operations Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Communications sales tax	\$ 5,043,468	5,043,468	-
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	1,261,000	1,148,921	(112,079)
Recovered costs	-	2,000	2,000
Investment income	-	16,764	16,764
Total revenues	6,304,468	6,211,153	(93,315)
<b>EXPENDITURES</b>			
Public safety	7,945,058	7,740,597	204,461
Capital outlay	1,063,143	320,520	742,623
Total expenditures	9,008,201	8,061,117	947,084
<b>Deficiency of revenues under expenditures</b>	<b>(2,703,733)</b>	<b>(1,849,964)</b>	<b>853,769</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	2,235,575	2,235,575	-
Transfer to other funds	-	(16,764)	(16,764)
Total other financing sources (uses)	2,235,575	2,218,811	(16,764)
<b>Net change in fund balance</b>	<b>(468,158)</b>	<b>368,847</b>	<b>837,005</b>
<b>Fund balance - beginning</b>	<b>6,358,544</b>	<b>6,358,544</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 5,890,386</b>	<b>6,727,391</b>	<b>837,005</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-11*

Parks and Recreation Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Revenues from use of property	\$ 135,240	113,055	(22,185)
Recovered costs	-	548	548
Charges for services	993,700	1,072,941	79,241
Sale of food and beverages	13,270	13,301	31
Miscellaneous revenue	-	3,900	3,900
Total revenues	1,142,210	1,203,745	61,535
<b>EXPENDITURES</b>			
Parks	2,554,137	2,365,829	188,308
Total expenditures	2,554,137	2,365,829	188,308
<b>Deficiency of revenues under expenditures</b>	(1,411,927)	(1,162,084)	249,843
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	1,461,705	1,461,705	-
Total other financing sources (uses)	1,461,705	1,461,705	-
<b>Net change in fund balance</b>	49,778	299,621	249,843
<b>Fund balance - beginning</b>	534,876	534,876	-
<b>Fund balance - ending</b>	\$ 584,654	834,497	249,843

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-12*

Fee Supported Activities Fund  
 Schedule of Revenues, Expenditures and Other  
 Financing Sources (Uses) - Budget and Actual  
 Year Ended June 30, 2012

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Recovered costs	\$ 5,000	15,356	10,356
Investment income	-	3,369	3,369
Charges for services	962,280	901,936	(60,344)
Total revenues	967,280	920,661	(46,619)
<b>EXPENDITURES</b>			
Public safety	1,172,226	919,358	252,868
Capital outlay	72,767	51,020	21,747
Total expenditures	1,244,993	970,378	274,615
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(277,713)</b>	<b>(49,717)</b>	<b>227,996</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from the General Fund	813	813	-
Transfer to the General Fund	-	(3,369)	(3,369)
Total other financing sources (uses)	813	(2,556)	(3,369)
<b>Net change in fund balance</b>	<b>(276,900)</b>	<b>(52,273)</b>	<b>224,627</b>
<b>Fund balance - beginning</b>	<b>1,380,321</b>	<b>1,380,321</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,103,421</b>	<b>1,328,048</b>	<b>224,627</b>

Grants Fund, Community Development Fund, Open Space Agriculture Preservation Fund, Proffers Fund, and Housing Trust Fund  
 Schedule of Revenues and Other Financing Sources - Budget and Actual  
 Year Ended June 30, 2012

	Revised Budget	Actual	Variance Positive (Negative)
<b>Grants Fund</b>			
<b>Revenues</b>			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,912,189	2,422,581	(489,608)
Federal government	4,349,102	3,344,444	(1,004,658)
Federal government - American Reinvestment and Recovery Act	19,991	1,395,485	1,375,494
Recovered costs	368	2,215	1,847
Investment income	2,058	2,788	730
Charges for services	191,581	265,635	74,054
Miscellaneous revenues	522,127	314,685	(207,442)
Total revenues	7,997,416	7,747,833	(249,583)
<b>Other financing sources</b>			
Transfer from the General Fund	393,525	393,525	-
Transfer from other funds	52,903	51,703	(1,200)
Total other financing sources	446,428	445,228	(1,200)
Total revenues and other financing sources	\$ 8,443,844	8,193,061	(250,783)
<b>Community Development Fund</b>			
<b>Revenues</b>			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,946,037	1,244,415	(701,622)
Home Rehabilitation program	608,740	1,620,496	1,011,756
Program income	127,620	158,692	31,072
Total revenues	\$ 2,682,397	3,023,603	341,206
<b>Open Space Agriculture Preservation Fund</b>			
<b>Revenues</b>			
Current taxes on real property	\$ 271,284	271,284	-
Revenue from use of property	-	35,200	35,200
Intergovernmental revenues:			
Commonwealth of Virginia	-	184	184
Federal government	-	1,550,000	1,550,000
Investment income		269,752	269,752
Total revenues	\$ 271,284	2,126,420	1,855,136
<b>Proffers Fund</b>			
<b>Revenues</b>			
Miscellaneous revenues	\$ -	703,968	703,968
<b>Other financing source - transfer from the General Fund</b>	770,883	2,541,138	1,770,255
Total revenues and other financing sources	\$ 770,883	3,245,106	2,474,223
<b>Housing Trust Fund</b>			
<b>Revenues</b>			
Investment income	\$ -	238	238
Total revenues	\$ -	238	238

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-14*

Grants Fund  
 Schedule of Expenditures- Budget and Actual  
 Year Ended June 30, 2012

	Revised Budget	Expenditures			Unexpended Balance
		Prior Year	Current Year	Total	
<b>EXPENDITURES</b>					
General government	\$ 12,355,007	4,679,700	2,578,686	7,258,386	5,096,621
Public safety	11,218,460	3,678,482	3,688,594	7,367,076	3,851,384
Parks	788,375	495,708	84,469	580,177	208,198
Public welfare	4,961,815	4,173,508	539,585	4,713,093	248,722
Public works	131,892	94,442	19,868	114,310	17,582
Capital outlay	6,309,383	3,958,487	2,078,852	6,037,339	272,044
Subtotal	35,764,932	17,080,327	8,990,054	26,070,381	9,694,551
Less closed grants	13,596,438	11,164,946	952,075	12,117,021	1,479,417
Total expenditures - active grants	\$ 22,168,494	5,915,381	8,037,979	13,953,360	8,215,134

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Community Development Fund  
 Schedule of Expenditures and Encumbrances - Budget and Actual  
 Year Ended June 30, 2012

	Appropriations	Expenditures - Public Welfare			Unexpended Balance
		Prior Years	Current Year	Total	
HUD- Twenty-Six:					
CDBG program grants	349,591	349,390	-	349,390	201
Section 108 debt service	347,090	347,090	-	347,090	-
HOME program grant	1,161,266	1,160,192	1,074	1,161,266	-
Total HUD-Twenty-Six	1,857,947	1,856,672	1,074	1,857,746	201
HUD- Twenty-Eight:					
CDBG program grants	281,895	282,396	-	282,396	(501)
Section 108 debt service	352,321	352,321	-	352,321	-
HOME program grant	1,060,515	1,060,479	36	1,060,515	-
Total HUD-Twenty-Eight	1,694,731	1,695,196	36	1,695,232	(501)
HUD- Twenty-Nine:					
CDBG program grants	1,484,165	1,483,705	-	1,483,705	460
Section 108 debt service	400,000	400,000	-	400,000	-
HOME program grant	689,495	685,500	3,995	689,495	-
Total HUD-Twenty-Nine	2,573,660	2,569,205	3,995	2,573,200	460
HUD- Thirty:					
CDBG program grants	783,830	771,242	-	771,242	12,588
Section 108 debt service	467,679	469,263	-	469,263	(1,584)
HOME program grant	811,302	680,916	58,900	739,816	71,486
Total HUD-Thirty	2,062,811	1,921,421	58,900	1,980,321	82,490
HUD- Thirty-One:					
CDBG program grants	682,275	682,124	-	682,124	151
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	589,155	421,592	103,577	525,169	63,986
Total HUD-Thirty-One	1,651,430	1,483,716	103,577	1,587,293	64,137
HUD- Thirty-Two:					
CDBG Grants	793,405	763,114	38	763,152	30,253
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	555,628	548,434	7,194	555,628	-
Total HUD-Thirty-Two	1,729,033	1,691,548	7,232	1,698,780	30,253
HUD- Thirty-Three:					
CDBG Grants	1,081,529	1,053,472	-	1,053,472	28,057
Section 108 debt service	399,427	399,427	-	399,427	-
HOME program grant	792,184	754,917	-	754,917	37,267
Total HUD-Thirty-Three	2,273,140	2,207,816	-	2,207,816	65,324
HUD- Thirty-Four:					
CDBG Grants	790,825	762,788	5,234	768,022	22,803
Section 108 debt service	395,761	395,761	-	395,761	-
HOME program grant	490,901	396,984	-	396,984	93,917
Total HUD-Thirty-Four	1,677,487	1,555,533	5,234	1,560,767	116,720
HUD- Thirty-Five:					
CDBG Grants	751,730	698,333	30,000	728,333	23,397
Section 108 debt service	376,500	376,500	-	376,500	-
HOME program grant	522,144	408,227	200	408,427	113,717
Total HUD-Thirty-Five	1,650,374	1,483,060	30,200	1,513,260	137,114
HUD- Thirty-Six:					
CDBG Grants	1,511,923	595,350	258,868	854,218	657,705
Section 108 debt service	371,000	204,036	166,964	371,000	-
HOME program grant	2,068,540	220,037	1,158,031	1,378,068	690,472
Total HUD-Thirty-Six	3,951,463	1,019,423	1,583,863	2,603,286	1,348,177
HUD- Thirty-Seven:					
CDBG Grants	717,029	-	596,599	596,599	120,430
Section 108 debt service	390,848	-	223,592	223,592	167,256
HOME program grant	663,400	-	410,876	410,876	252,524
Total HUD-Thirty-Seven	1,771,277	-	1,231,067	1,231,067	540,210
Total CDBG Grants:	9,228,197	7,441,914	890,739	8,382,653	845,544
Total Section 108 Debt Service	4,260,626	3,704,398	390,556	4,094,954	165,672
Total Home Grants	9,404,530	6,337,278	1,743,883	8,081,161	1,323,369
<b>Total expenditures and encumbrances</b>	<b>\$ 22,893,353</b>	<b>17,483,590</b>	<b>3,025,178</b>	<b>20,508,768</b>	<b>2,384,585</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule P-16*

Open Space Agriculture Preservation Fund  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2012

		Expenditures			Unexpended Balance	
		Revised Budget	Prior Years	Current Year		Total
<b>EXPENDITURES</b> - General government	\$	5,157,600	963,403	3,306,895	4,270,298	887,302
Total expenditures and encumbrances	\$	5,157,600	963,403	3,306,895	4,270,298	887,302

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**Chesapeake**  
VIRGINIA



# Internal Service Funds

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

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

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

## CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2012

	Information Technology	City Garage	Self- Insurance	Total
<b>ASSETS</b>				
Current assets:				
Cash and temporary investments	\$ 5,691,745	5,126,632	20,350,158	31,168,535
Receivables:				
Accounts	25,786	79,942	-	105,728
Interest	-	-	100,115	100,115
Inventory of materials and supplies	-	405,819	-	405,819
Prepaid expenses	369,689	-	945,059	1,314,748
Total current assets	6,087,220	5,612,393	21,395,332	33,094,945
Noncurrent assets:				
Capital assets:				
Construction in progress	117,898	1,358,684	-	1,476,582
Buildings	420,440	159,095	20,930	600,465
Improvements other than buildings	5,740,951	170,179	-	5,911,130
Software, equipment and vehicles	16,670,428	78,430,205	265,990	95,366,623
Infrastructure	-	77,584	-	77,584
Less accumulated depreciation	(11,691,799)	(44,158,075)	(128,007)	(55,977,881)
Total capital assets, net of accumulated depreciation	11,257,918	36,037,672	158,913	47,454,503
Total noncurrent assets	11,257,918	36,037,672	158,913	47,454,503
<b>Total assets</b>	<b>\$ 17,345,138</b>	<b>41,650,065</b>	<b>21,554,245</b>	<b>80,549,448</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 234,113	421,066	8,650	663,829
Accrued expenses and other liabilities	14,675	30,907	1,173	46,755
Current portion of obligations under capital leases	10,114	77,348	-	87,462
Current portion of accrued vacation, sick pay, and overtime leave	138,189	66,766	6,789	211,744
Current portion of liability for self-insurance losses	-	-	5,445,865	5,445,865
Total current liabilities	397,091	596,087	5,462,477	6,455,655
Noncurrent liabilities:				
Obligations under capital leases	-	-	-	-
Accrued vacation, sick pay, and overtime leave	184,684	89,231	9,074	282,989
Liability for self-insurance losses	-	-	20,235,499	20,235,499
Total noncurrent liabilities	184,684	89,231	20,244,573	20,518,488
<b>Total liabilities</b>	<b>581,775</b>	<b>685,318</b>	<b>25,707,050</b>	<b>26,974,143</b>
<b>Net Assets (deficit)</b>				
Invested in capital assets, net of related debt	11,247,804	35,960,324	158,913	47,367,041
Unrestricted	5,515,559	5,004,423	(4,311,718)	6,208,264
<b>Total net assets (deficit)</b>	<b>16,763,363</b>	<b>40,964,747</b>	<b>(4,152,805)</b>	<b>53,575,305</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,345,138</b>	<b>41,650,065</b>	<b>21,554,245</b>	<b>80,549,448</b>

## CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)  
 Internal Service Funds  
 Year Ended June 30, 2012

	Information Technology	City Garage	Self- Insurance	Total
<b>OPERATING REVENUES</b>				
Billings to departments	\$ 8,398,564	12,176,456	8,180,472	28,755,492
Billings to outside agencies & component units	798,533	1,473,648	-	2,272,181
Recovered costs	12,448	27,524	221,085	261,057
Total operating revenues	9,209,545	13,677,628	8,401,557	31,288,730
<b>OPERATING EXPENSES</b>				
Cost of materials billed	-	5,637,826	-	5,637,826
Purchases for resale	-	1,551,480	-	1,551,480
General and administrative	506,472	448,829	15,305	970,606
Other salaries and wages	3,197,019	1,569,235	161,225	4,927,479
Other fringe benefits	1,129,912	648,441	57,682	1,836,035
Self-insurance losses	-	-	2,347,218	2,347,218
Indemnity and medical claims	-	-	4,124,288	4,124,288
Other repairs and supplies	1,973,958	576,679	21,806	2,572,443
Equipment rental	592,954	6,054	2,132	601,140
Other contractual services	658,600	99,969	110,240	868,809
Depreciation and amortization	3,006,770	5,422,763	53,721	8,483,254
Insurance premiums	-	-	1,293,753	1,293,753
Total operating expenses	11,065,685	15,961,276	8,187,370	35,214,331
<b>Operating income (loss)</b>	<b>(1,856,140)</b>	<b>(2,283,648)</b>	<b>214,187</b>	<b>(3,925,601)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	14,376	12,382	121,954	148,712
Interest expense	(1,647)	(28,402)	-	(30,049)
Gain on sale of equipment	-	131,266	-	131,266
Loss on sale of equipment	(44,796)	(586,875)	-	(631,671)
Total nonoperating revenues (expenses)	(32,067)	(471,629)	121,954	(381,742)
<b>Income (loss) before transfers and contributions</b>	<b>(1,888,207)</b>	<b>(2,755,277)</b>	<b>336,141</b>	<b>(4,307,343)</b>
Transfers in	55,962	1,073,534	1,701	1,131,197
Transfers out	(559,883)	(12,382)	-	(572,265)
Capital contributions	3,272,651	3,841,536	-	7,114,187
<b>Increase (decrease) in net assets (deficit)</b>	<b>880,523</b>	<b>2,147,411</b>	<b>337,842</b>	<b>3,365,776</b>
<b>Total net assets (deficit) - beginning</b>	<b>15,882,840</b>	<b>38,817,336</b>	<b>(4,490,647)</b>	<b>50,209,529</b>
<b>Total net assets (deficit) - ending</b>	<b>\$ 16,763,363</b>	<b>40,964,747</b>	<b>(4,152,805)</b>	<b>53,575,305</b>

## CITY OF CHESAPEAKE, VIRGINIA

## Schedule Q-3

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2012

	Information Technology	City Garage	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 9,193,256	13,922,860	8,401,557	31,517,673
Payments to suppliers	(3,978,694)	(8,848,572)	(10,904,424)	(23,731,690)
Payments to employees	(4,304,559)	(2,214,888)	(216,279)	(6,735,726)
Net cash provided by (used in) operating activities	910,003	2,859,400	(2,719,146)	1,050,257
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	55,962	1,073,534	1,701	1,131,197
Transfers out	(559,883)	(12,382)	-	(572,265)
Net cash provided by (used in) noncapital financing activities	(503,921)	1,061,152	1,701	558,932
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(382,129)	(7,349,708)	-	(7,731,837)
Interest paid	(1,647)	(28,402)	-	(30,049)
Repayment of obligations under capital leases	(56,504)	(944,869)	-	(1,001,373)
Proceeds from sale of capital assets	-	185,999	-	185,999
Net cash used in capital and related financing activities	(440,280)	(8,136,980)	-	(8,577,260)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	14,376	12,382	116,677	143,435
Net cash provided by investing activities	14,376	12,382	116,677	143,435
Net increase (decrease) in cash and temporary investments	(19,822)	(4,204,046)	(2,600,768)	(6,824,636)
<b>Cash and temporary investments beginning of year</b>	5,711,567	9,330,678	22,950,926	37,993,171
<b>Cash and temporary investments end of year</b>	\$ 5,691,745	5,126,632	20,350,158	31,168,535
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (1,856,140)	(2,283,648)	214,187	(3,925,601)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,006,770	5,422,763	53,721	8,483,254
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	(16,289)	245,232	-	228,943
Prepaid expenses	(369,689)	-	(49,101)	(418,790)
Inventory of materials and supplies	-	83,568	-	83,568
Accounts payable	122,979	(611,303)	(223)	(488,547)
Accrued expenses and other liabilities	12,936	(13,315)	1,173	794
Liability for self-insurance losses	-	-	(2,940,358)	(2,940,358)
Accrued vacation, sick pay, and overtime leave	9,436	16,103	1,455	26,994
Total adjustments	2,766,143	5,143,048	(2,933,333)	4,975,858
<b>Net cash provided by (used in) operating activities</b>	\$ 910,003	2,859,400	(2,719,146)	1,050,257
<b>Supplemental information on significant noncash transactions:</b>				
Contributions of capital assets:				
Information Technology	3,272,651			
City Garage		3,841,536		

# Fiduciary Fund Financial Statements

**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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**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule R*

Statement of Changes in Assets and Liabilities  
Special Welfare Fund  
Year Ended June 30, 2012

	<b>Balances at July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances at June 30, 2012</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 4,272	41,534	43,398	2,408
Total current assets	\$ 4,272	41,534	43,398	2,408
<b>LIABILITIES</b>				
Due to children under foster care	\$ 4,272	41,534	43,398	2,408
Total liabilities	\$ 4,272	41,534	43,398	2,408

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**Chesapeake**  
VIRGINIA



# Component Units

## **Chesapeake Public Schools:**

### *Major Governmental funds*

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

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

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

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

### *Fiduciary Funds:*

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

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

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

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**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Balance Sheet – Governmental Funds  
 June 30, 2012

	General	Schools' Food Services	School Textbook	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments	\$ 49,440,874	2,688,395	10,704,194	-	62,833,463
Receivables	388,775	25,061	39,886	-	453,722
Due from federal government	13,784,702	350,094	-	-	14,134,796
Due from Commonwealth of Virginia	10,493,424	-	-	-	10,493,424
Inventory	849,603	394,643	-	-	1,244,246
Restricted cash and temporary investments	-	-	-	23,677,124	23,677,124
<b>Total assets</b>	<b>\$ 74,957,378</b>	<b>3,458,193</b>	<b>10,744,080</b>	<b>23,677,124</b>	<b>112,836,775</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 36,037,109	454,224	1,172	8,051,944	44,544,449
Claims payable	8,805,597	-	-	-	8,805,597
Deferred revenue	3,480,994	-	-	-	3,480,994
<b>Total liabilities</b>	<b>48,323,700</b>	<b>454,224</b>	<b>1,172</b>	<b>8,051,944</b>	<b>56,831,040</b>
<b>Fund balances:</b>					
Nonspendable:					
Inventory	849,603	394,643	-	-	1,244,246
Restricted:					
Capital Projects	-	-	-	15,625,180	15,625,180
Food services	-	2,609,326	-	-	2,609,326
School textbook	-	-	10,742,908	-	10,742,908
Future health, dental, worker's compensation	23,998,038	-	-	-	23,998,038
Technology	347,943	-	-	-	347,943
Instruction	136,295	-	-	-	136,295
Assigned to:					
Instruction	1,301,799	-	-	-	1,301,799
Unassigned:					
	-	-	-	-	-
<b>Total fund balances</b>	<b>26,633,678</b>	<b>3,003,969</b>	<b>10,742,908</b>	<b>15,625,180</b>	<b>56,005,735</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74,957,378</b>	<b>3,458,193</b>	<b>10,744,080</b>	<b>23,677,124</b>	
<b>Adjustments for the statement of net assets:</b>					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					207,395,527
Long-term liabilities are not reported as liabilities in the governmental funds.					(55,015,089)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(251,560,144)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					47,694
Assets are not available to pay current period expenditures and therefore are offset by deferred revenue in the funds.					3,480,994
<b>Net deficit of governmental activities</b>					<b>\$ (39,645,283)</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

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

Year Ended June 30, 2012

	General	Schools' Food Services	Schools' Textbook	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Intergovernmental:					
From City of Chesapeake	\$ 169,581,035	-	-	-	169,581,035
From Commonwealth of Virginia	198,656,388	234,724	-	-	198,891,112
From Federal government	35,048,485	6,897,157	-	-	41,945,642
Donated commodities from Federal government	-	703,432	-	-	703,432
<b>Total intergovernmental</b>	<b>403,285,908</b>	<b>7,835,313</b>	<b>-</b>	<b>-</b>	<b>411,121,221</b>
Charges for services	2,096,633	5,001,121	-	-	7,097,754
Interest	105,028	12,141	52,433	164,329	333,931
Miscellaneous	1,286,996	119,924	27,925	-	1,434,845
<b>Total revenues</b>	<b>406,774,565</b>	<b>12,968,499</b>	<b>80,358</b>	<b>164,329</b>	<b>419,987,751</b>
<b>EXPENDITURES</b>					
Education:					
Administration	7,239,304	-	-	-	7,239,304
Instruction	317,477,896	-	2,090,796	-	319,568,692
Attendance and health services	5,562,585	-	-	-	5,562,585
Pupil transportation	25,533,344	-	-	-	25,533,344
Operations and maintenance	39,137,393	-	-	-	39,137,393
School facilities services	569,626	-	-	-	569,626
School technology services	11,354,483	-	-	-	11,354,483
<b>Total education</b>	<b>406,874,631</b>	<b>-</b>	<b>2,090,796</b>	<b>-</b>	<b>408,965,427</b>
Food services	-	11,984,239	-	-	11,984,239
Debt service	2,333,600	-	-	-	2,333,600
Payment to primary government – return of interest income	105,028	-	-	164,329	269,357
Capital outlay	3,700,000	-	-	32,260,532	35,960,532
<b>Total expenditures</b>	<b>413,013,259</b>	<b>11,984,239</b>	<b>2,090,796</b>	<b>32,424,861</b>	<b>459,513,155</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(6,238,694)</b>	<b>984,260</b>	<b>(2,010,438)</b>	<b>(32,260,532)</b>	<b>(39,525,404)</b>
Other financing sources (uses):					
Proceeds from capital leases	3,700,000	-	-	-	3,700,000
Payment from primary government – proceeds of VPSA bonds	-	-	-	15,002,673	15,002,673
Payment from primary government for capital outlay	-	-	-	10,750,000	10,750,000
Transfers in	-	-	2,000,000	-	2,000,000
Transfers out	(2,000,000)	-	-	-	(2,000,000)
<b>Total other financing sources (uses)</b>	<b>1,700,000</b>	<b>-</b>	<b>2,000,000</b>	<b>25,752,673</b>	<b>29,452,673</b>
<b>Net change in fund balances</b>	<b>(4,538,694)</b>	<b>984,260</b>	<b>(10,438)</b>	<b>(6,507,859)</b>	<b>(10,072,731)</b>
<b>Fund balances at beginning of year</b>	<b>31,159,093</b>	<b>2,016,462</b>	<b>10,753,346</b>	<b>22,133,039</b>	<b>66,061,940</b>
Increase (decrease) in reserve for inventory	13,279	3,247	-	-	16,526
<b>Fund balances at end of year</b>	<b>\$ 26,633,678</b>	<b>3,003,969</b>	<b>10,742,908</b>	<b>15,625,180</b>	<b>56,005,735</b>

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

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

Year Ended June 30, 2012

**Adjustments for the statement of activities:**

Net change in fund balance from previous page	\$ (10,072,731)
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.	33,060,901
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balances by the cost of the equipment sold.	(450,820)
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.	(3,700,000)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,915,965
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.	40,107
Because some sales taxes will not be received for several months after the fiscal year ends, they are not considered "available" revenues and are not reported in the governmental funds.	(5,802)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	16,526
Changes in net OPEB obligations are reported only in the statement of activities	(47,128,543)
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences liabilities incurred exceeded the amount used by \$1,039,088, pension contributions made exceeded the liability incurred by \$10 and self insurance claims incurred exceeded the amount paid by \$80,277.	(1,074,090)
<b>Change in net assets of governmental activities</b>	<b>\$ (27,398,487)</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2012

	<b>Schools' OPEB</b>	
	<b>Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ -	5,578,214
Investments, at fair value		
Money market trust	8,547,297	-
<b>Total assets</b>	<b>\$ 8,547,297</b>	<b>5,578,214</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Due to students	\$ -	5,578,214
Total liabilities	-	5,578,214
<b>Net assets:</b>		
Net Assets held in trust for Other		
Postemployment Benefits	8,547,297	-
Total net assets	8,547,297	-
<b>Total liabilities and net assets</b>	<b>\$ 8,547,297</b>	<b>5,578,214</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Year Ended June 30, 2012

	<b>Schools' OPEB Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 6,624,530
Plan member contributions	3,878,106
<b>Total contributions</b>	<b>10,502,636</b>
Net investment income:	
Net appreciation in the fair value of investments	(100,270)
<b>Total investment income</b>	<b>(100,270)</b>
<b>Total additions</b>	<b>\$ 10,402,366</b>
<b>DEDUCTIONS</b>	
Benefits	\$ 10,502,636
Administrative expenses	10,403
<b>Total deductions</b>	<b>10,513,039</b>
<b>Change in net assets</b>	<b>(110,673)</b>
<b>Net assets at beginning of year</b>	<b>8,657,970</b>
<b>Net assets at end of year</b>	<b>\$ 8,547,297</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

General Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Intergovernmental:				
City of Chesapeake	\$ 169,600,054	169,600,054	169,581,035	(19,019)
Commonwealth of Virginia	207,107,990	204,476,035	198,656,388	(5,819,647)
Federal government	45,276,342	47,908,297	35,048,485	(12,859,812)
Charges for services	2,722,920	2,722,920	2,096,633	(626,287)
Interest	-	-	105,028	105,028
Miscellaneous	647,568	647,568	1,286,996	639,428
<b>Total revenues</b>	<b>425,354,874</b>	<b>425,354,874</b>	<b>406,774,565</b>	<b>(18,580,309)</b>
<b>EXPENDITURES</b>				
Education:				
Administration	7,130,707	7,281,527	7,239,304	(42,223)
Instruction	329,422,845	338,220,252	317,477,896	(20,742,356)
Attendance and health services	5,483,436	5,602,998	5,562,585	(40,413)
Pupil transportation	24,451,808	25,728,924	25,533,344	(195,580)
Operations and maintenance	42,633,174	40,052,383	39,137,393	(914,990)
School facilities services	556,827	574,807	569,626	(5,181)
School technology services	13,342,477	11,942,330	11,354,483	(587,847)
Capital Outlay	-	-	3,700,000	3,700,000
<b>Total education</b>	<b>423,021,274</b>	<b>429,403,221</b>	<b>410,574,631</b>	<b>(18,828,590)</b>
Debt service:				
Principal	1,915,965	1,915,965	1,915,965	-
Interest	417,635	417,635	417,635	-
<b>Total debt service</b>	<b>2,333,600</b>	<b>2,333,600</b>	<b>2,333,600</b>	<b>-</b>
Payment to primary government – return of interest income	-	-	105,028	105,028
<b>Total expenditures</b>	<b>425,354,874</b>	<b>431,736,821</b>	<b>413,013,259</b>	<b>(18,723,562)</b>
<b>Total revenues over (under) expenditures</b>	<b>\$ -</b>	<b>(6,381,947)</b>	<b>(6,238,694)</b>	<b>143,253</b>
Other financing sources (uses):				
Proceeds from capital leases			3,700,000	
Transfer to School Textbook Fund			(2,000,000)	
Transfer to School Capital Projects Fund			-	
<b>Total other financing uses</b>			<b>1,700,000</b>	
<b>Total revenues over expenditures and other financing uses</b>			<b>(4,538,694)</b>	
Fund balance at beginning of year			31,159,093	
Increase in reserve for inventory			13,279	
<b>Fund balance at end of year</b>			<b>\$ 26,633,678</b>	



**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

Schools' Food Services Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 217,200	217,200	234,724	17,524
Federal government	6,250,000	6,250,000	6,897,157	647,157
Charges for services	6,738,660	6,738,660	5,001,121	(1,737,539)
Interest	2,500	2,500	12,141	9,641
Miscellaneous	61,000	61,000	119,924	58,924
<b>Total revenues</b>	<b>13,269,360</b>	<b>13,269,360</b>	<b>12,265,067</b>	<b>(1,004,293)</b>
<b>EXPENDITURES</b>				
Operating costs:				
Purchases for resale	5,219,945	5,295,840	4,358,165	(937,675)
Food service salaries and fringe benefits	6,943,453	6,943,453	5,730,335	(1,213,118)
General and administrative	102,292	1,090,752	987,374	(103,378)
Other repairs and supplies	266,858	253,952	170,333	(83,619)
Capital outlay	26,252	26,252	22,742	(3,510)
Other expenditures	13,250	13,250	11,858	(1,392)
<b>Total expenditures</b>	<b>12,572,050</b>	<b>13,623,499</b>	<b>11,280,807</b>	<b>(2,342,692)</b>
<b>Total revenues over (under) expenditures</b>	<b>\$ 697,310</b>	<b>(354,139)</b>	<b>984,260</b>	<b>1,338,399</b>
Fund balance at beginning of year			2,016,462	
Decrease in reserve for inventory			3,247	
Fund balance at end of year			<u>\$ 3,003,969</u>	

**CITY OF CHESAPEAKE, VIRGINIA**  
**CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT**

School Textbook Fund  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Interest	\$ 35,000	35,000	52,433	17,433
Miscellaneous	5,000	5,000	27,925	22,925
Total revenues	40,000	40,000	80,358	40,358
<b>EXPENDITURES</b>				
Instruction:				
Textbooks	2,145,453	4,179,006	1,645,826	(2,533,180)
Expendable workbooks	619,150	630,076	444,970	(185,106)
Total expenditures	2,764,603	4,809,082	2,090,796	(2,718,286)
Other financing source -				
Transfer from General Fund	-	2,000,000	2,000,000	-
Total revenues over (under) expenditures	\$ (2,724,603)	(2,769,082)	(10,438)	2,758,644
Fund balance at beginning of year			10,753,346	
Fund balance at end of year			<u>\$ 10,742,908</u>	

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule S-7*

Combining Balance Sheet and Statement of Net Assets  
 Other Component Units  
 June 30, 2012

	<b>Chesapeake Mosquito Control Commission</b>	<b>Chesapeake Port Authority</b>
<b>ASSETS</b>		
Current assets:		
Cash and temporary investments	\$ 5,083,111	14,448
Inventory of materials and supplies	273,732	-
Total current assets	5,356,843	14,448
<b>Total assets</b>	<b>\$ 5,356,843</b>	<b>14,448</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,697	6,269
Total current liabilities	61,697	6,269
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
<b>Total liabilities</b>	<b>61,697</b>	<b>950,676</b>
<b>Fund Balance</b>		
Nonspendable:		
Inventory	273,732	-
Committed:		
Biology testing	28,040	-
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	2,899,646	-
<b>Net Assets</b>		
Unrestricted	-	(936,228)
<b>Total fund balance and net assets (deficit)</b>	<b>5,295,146</b>	<b>(936,228)</b>
<b>Total liabilities, fund balance, and net assets</b>	<b>\$ 5,356,843</b>	<b>14,448</b>
<b>Reconciliation to Net Assets:</b>		
Total fund balance	\$ 5,295,146	
Capital assets - net of depreciation	2,888,034	
<b>Net Assets</b>	<b>\$ 8,183,180</b>	

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule S-8*

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Chesapeake Mosquito Control Commission  
 Year Ended June 30, 2012

	<b>Chesapeake Mosquito Control Commission</b>
<b>REVENUES</b>	
Property taxes	\$ 3,828,915
Investment income	23,470
Other	61,252
<b>Total revenues</b>	<b>3,913,637</b>
<b>EXPENDITURES</b>	
Other salaries and wages	1,809,313
Other fringe benefits	732,433
Other repairs and supplies	813,449
Other postemployment benefits	89,465
Insurance premiums	212,031
Capital outlay	28,369
Other	714,833
<b>Total expenditures</b>	<b>4,399,893</b>
<b>Deficiency of revenues under expenditures</b>	<b>(486,256)</b>
<b>OTHER FINANCING SOURCES</b>	
Transfer from the General Fund	347,408
<b>Total other financing sources</b>	<b>347,408</b>
<b>Net change in fund balance</b>	<b>(138,848)</b>
<b>Fund balance - beginning</b>	<b>5,433,994</b>
<b>Fund balance - ending</b>	<b>\$ 5,295,146</b>

**Reconciliation to Change in Net Assets:**

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	\$ (138,848)
Depreciation expense	(235,369)
Loss on disposal	(25,845)
Capital outlay expenditures	28,369
<b>Change in Net Assets</b>	<b>\$ (371,693)</b>

**CITY OF CHESAPEAKE, VIRGINIA***Schedule S-9*

Statement of Revenue, Expenditures, and Changes in Fund Net Assets (Deficit)  
Chesapeake Port Authority  
Year Ended June 30, 2012

	<b>Chesapeake Port Authority</b>	
<b>OPERATING REVENUE</b>		
Other income	\$	36,210
Total operating revenues		36,210
<b>OPERATING EXPENSES</b>		
General and administrative	\$	8,656
Other expenses		36,210
Total operating expenditures		44,866
<b>Operating loss</b>		<b>(8,656)</b>
<b>NONOPERATING REVENUES</b>		
Appropriations from the City		10,065
Total nonoperating revenues		10,065
<b>Increase (decrease) in net assets (deficit)</b>		<b>1,409</b>
<b>Net assets (deficit) - beginning</b>		<b>(937,637)</b>
<b>Net assets (deficit) - ending</b>	<b>\$</b>	<b>(936,228)</b>

**CITY OF CHESAPEAKE, VIRGINIA**

*Schedule S-10*

Statement of Cash Flows  
 Chesapeake Port Authority  
 Year Ended June 30, 2012

	<b>Chesapeake Port Authority</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 37,531
Payments to suppliers	(44,866)
<b>Net cash provided by operating activities</b>	<b>(7,335)</b>
<b>CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	
Appropriation from City	10,065
<b>Net increase in cash and temporary investments</b>	<b>2,730</b>
<b>Cash and temporary investments beginning of year</b>	<b>11,718</b>
<b>Cash and temporary investments end of year</b>	<b>\$ 14,448</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (8,656)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts receivable	1,142
Accounts payable	179
<b>Total adjustments</b>	<b>1,321</b>
<b>Net cash used in operating activities</b>	<b>\$ (7,335)</b>

# 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 Assets by Component  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 544,936,380	563,288,318	588,733,474	649,736,620
Restricted for:				
Capital projects	7,989,225	11,735,419	9,684,866	6,604,716
Debt service	15,626,869	15,699,358	10,976,974	7,585,894
Other purposes:				
Expendable	3,668,508	5,947,315	1,270,039	32,080,786
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	98,889,061	104,355,168	158,375,919	175,198,047
<b>Total governmental activities net assets</b>	<b>\$ 671,122,838</b>	<b>701,038,373</b>	<b>769,054,067</b>	<b>871,218,858</b>
<b>Business Type Activities</b>				
Invested in capital assets, net of related debt	\$ 237,029,324	228,068,375	249,688,287	254,349,571
Restricted for:				
Capital projects	2,152,881	2,636,724	2,061,689	3,260,963
Debt service	5,948,680	6,789,536	5,710,688	5,532,370
Other purposes:				
Expendable	36,571,541	51,110,767	38,493,631	46,287,418
Unrestricted	1,180,559	1,169,678	1,986,705	1,619,932
<b>Total business-type activities net assets</b>	<b>\$ 282,882,985</b>	<b>289,775,080</b>	<b>297,941,000</b>	<b>311,050,254</b>
<b>Primary Government</b>				
Invested in capital assets, net of related debt	\$ 781,965,704	791,356,693	838,421,761	904,086,191
Restricted for:				
Capital projects	10,142,106	14,372,143	11,746,555	9,865,679
Debt service	21,575,549	22,488,894	16,687,662	13,118,264
Other purposes:				
Expendable	40,240,049	57,058,082	39,763,670	78,368,204
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	100,069,620	105,524,846	160,362,624	176,817,979
<b>Total primary government net assets</b>	<b>\$ 954,005,823</b>	<b>990,813,453</b>	<b>1,066,995,067</b>	<b>1,182,269,112</b>
<b>Component Units</b>				
Invested in capital assets, net of related debt	\$ 68,023,154	72,780,433	76,186,297	84,249,220
Restricted for:				
Capital projects	8,992,924	8,533,984	6,602,465	5,669,625
Other purposes:				
Expendable	1,882,000	1,866,409	-	-
Unrestricted	(10,675,859)	(13,647,190)	(10,102,135)	(13,520,512)
<b>Total component units net assets</b>	<b>\$ 68,222,219</b>	<b>69,533,636</b>	<b>72,686,627</b>	<b>76,398,333</b>



*Table 1*

<b>Fiscal Years</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
666,474,648	684,361,590	701,163,988	711,456,653	735,161,026	762,765,688
8,818,429	8,353,966	6,797,052	6,733,774	7,208,270	7,541,231
9,498,240	6,836,388	7,032,992	5,977,598	5,585,278	2,974,020
39,740,870	44,031,261	48,053,608	61,966,212	64,874,383	66,019,778
12,795	12,795	12,795	12,795	12,795	12,795
193,675,640	199,553,990	186,150,360	172,115,671	197,640,231	180,953,477
918,220,622	943,149,990	949,210,795	958,262,703	1,010,481,983	1,020,266,989
263,256,688	275,037,856	287,074,512	274,620,304	282,334,648	286,255,165
3,053,741	2,919,414	3,110,328	1,421,019	2,969,658	1,765,682
4,987,244	4,995,386	6,095,925	8,400,300	11,051,969	10,331,849
55,711,887	66,957,564	71,224,863	90,743,786	99,837,905	116,409,613
2,492,078	1,956,411	1,161,632	(1,229,016)	(1,185,861)	(1,543,594)
329,501,638	351,866,631	368,667,260	373,956,393	395,008,319	413,218,715
929,731,336	959,399,446	988,238,500	986,076,957	1,017,495,674	1,049,020,853
11,872,170	11,273,380	9,907,380	8,154,793	10,177,928	9,306,913
14,485,484	11,831,774	13,128,917	14,377,898	16,637,247	13,305,869
95,452,757	95,452,179	119,278,471	152,709,998	164,712,288	182,429,391
12,795	12,795	12,795	12,795	12,795	12,795
196,167,718	201,510,401	187,311,992	170,886,655	196,454,370	179,409,883
1,247,722,260	1,279,479,975	1,317,878,055	1,332,219,096	1,405,490,302	1,433,485,704
97,490,222	124,861,846	144,813,085	155,905,524	177,640,500	218,780,868
32,955,766	23,851,420	36,422,441	44,293,952	22,133,039	15,625,180
-	2,010,154	1,994,027	2,334,502	1,234,356	38,848,921
(8,265,134)	(52,681,911)	(91,627,322)	(143,537,497)	(189,089,275)	(286,045,269)
122,180,854	98,041,509	91,602,231	58,996,481	11,918,620	(12,790,300)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Assets  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Program Revenues</b>			
Governmental activities:			
Charges for Services:			
General government	\$ 11,271,768	12,610,106	12,691,638
Public safety	4,581,012	4,487,073	5,140,050
Public works	893,075	1,266,418	1,379,049
Parks	115,118	133,233	174,071
Public welfare	2,036,441	2,235,788	2,121,147
Operating grants and contributions	70,035,588	88,508,739	77,669,726
Capital grants and contributions	13,475,575	18,544,379	35,617,170
Total governmental activities program revenues	<u>\$ 102,408,577</u>	<u>127,785,736</u>	<u>134,792,851</u>
Business-type activities:			
Charges for Services:			
Public Utilities	\$ 34,453,540	39,898,644	39,725,069
Chesapeake Expressway	6,249,849	6,678,718	6,911,794
Stormwater Management	4,424,005	4,532,744	4,600,299
Northwest River Park	105,798	102,271	138,998
Jordan Bridge	1,104,234	1,089,250	1,649,017
Recreation	574,164	570,169	630,819
Operating grants and contributions	998,269	997,162	1,248,956
Capital grants and contributions	8,258,622	5,959,652	8,134,879
Total business-type program revenues	<u>\$ 56,168,481</u>	<u>59,828,610</u>	<u>63,039,831</u>
Total primary government program revenues	<u>\$ 158,577,058</u>	<u>187,614,346</u>	<u>197,832,682</u>
Component Units			
Charges for Services:			
Public Schools	\$ 7,174,775	7,536,856	7,287,354
Chesapeake Mosquito Control Commission <sup>1</sup>	3,427,738	-	-
Economic Development Authority	300,000	-	-
Chesapeake Port Authority	234,252	-	-
Chesapeake Airport Authority	-	273,697	278,615
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Operating grants and contributions	56,775,219	55,723,417	67,183,629
Capital grants and contributions	1,318,018	2,216,117	2,181,385
Total component unit program revenues	<u>\$ 69,230,002</u>	<u>65,750,087</u>	<u>76,930,983</u>
Total primary government and component units program revenues	<u>\$ 227,807,060</u>	<u>253,364,433</u>	<u>274,763,665</u>

Table 2

Fiscal Years						
2006	2007	2008	2009	2010	2011	2012
11,164,814	11,622,631	11,413,581	15,214,785	14,634,265	15,176,526	15,655,753
5,975,514	6,128,427	6,025,679	5,749,819	6,066,443	7,170,555	8,004,960
1,331,973	1,285,196	1,460,197	1,661,573	2,533,979	1,819,486	572,422
74,469	74,480	79,588	1,040,947	1,058,795	1,203,236	1,185,891
2,635,982	2,715,215	3,466,956	3,240,175	3,758,146	3,907,048	3,634,765
90,120,716	91,298,815	99,583,775	94,712,370	93,882,445	112,543,495	114,361,618
27,830,644	13,814,033	11,219,370	21,872,574	10,319,478	2,840,507	2,971,533
139,134,112	126,938,797	133,249,146	143,492,243	132,253,551	144,660,853	146,386,942
42,572,239	47,743,685	52,591,554	56,097,409	55,733,051	66,688,401	63,871,301
7,074,711	7,375,691	7,217,160	6,910,173	7,097,481	8,151,134	10,488,113
4,713,008	6,645,062	10,580,469	13,036,755	14,194,442	14,767,660	14,833,052
128,933	120,954	108,187	-	-	-	-
1,538,705	1,591,275	1,501,230	527,523	-	-	-
694,222	711,779	716,131	-	-	-	-
1,858,181	2,878,949	2,591,258	1,871,101	1,145,292	1,185,967	1,309,146
10,928,051	13,419,662	15,845,647	10,661,753	3,597,675	3,102,397	2,662,708
69,508,050	80,487,057	91,151,636	89,104,714	81,767,941	93,895,559	93,164,320
208,642,162	207,425,854	224,400,782	232,596,957	214,021,492	238,556,412	239,551,262
7,870,493	8,398,845	8,227,885	7,426,524	7,245,368	7,243,389	7,097,754
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	38,550	36,210
361,632	371,644	391,022	394,838	431,858	435,781	424,813
-	-	64,151	78,675	88,050	96,100	100,730
76,851,214	86,696,917	87,790,467	85,261,245	89,515,940	100,528,447	112,735,654
1,343,384	1,922,839	1,907,684	1,895,524	955,420	1,125,139	1,541,294
86,426,723	97,390,245	98,381,209	95,056,806	98,236,636	109,467,406	121,936,455
295,068,885	304,816,099	322,781,991	327,653,763	312,258,128	348,023,818	361,487,717

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Assets  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Expenses</b>			
Governmental activities:			
General government	\$ 80,503,601	107,595,440	102,155,781
Public safety	65,792,095	73,556,936	71,944,068
Public works	37,462,813	36,681,770	40,171,186
Parks	9,346,534	8,871,362	4,040,492
Public welfare	32,721,747	33,963,274	37,546,666
Education	134,217,915	134,528,877	143,874,317
Interest on long term debt	21,747,106	21,435,242	19,215,361
Depreciation and amortization - net unallocated portion	20,499,181	20,634,855	21,051,803
Total governmental activities	<u>\$ 402,290,992</u>	<u>437,267,756</u>	<u>439,999,674</u>
Business-type activities:			
Public Utilities	\$ 36,267,069	38,593,511	39,964,142
Chesapeake Expressway	8,956,642	8,730,072	8,822,878
Stormwater Management	2,665,521	3,391,274	3,578,748
Northwest River Park	96,570	83,006	103,767
Jordan Bridge	905,821	1,260,395	1,111,030
Recreation	590,973	537,006	629,371
Total business-type activities	<u>\$ 49,482,596</u>	<u>52,595,264</u>	<u>54,209,936</u>
Total primary government	<u>\$ 451,773,588</u>	<u>489,863,020</u>	<u>494,209,610</u>
Component units			
Public Schools	\$ 300,984,185	317,127,950	348,832,222
Chesapeake Mosquito Control Commission	3,381,853	3,593,597	3,606,347
Economic Development Authority	3,342,738	3,147,811	2,760,873
Chesapeake Port Authority	-	400	2,000
Chesapeake Airport Authority	1,035,264	1,173,685	1,151,836
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Total component units	<u>\$ 308,744,040</u>	<u>325,043,443</u>	<u>356,353,278</u>
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (299,882,415)	(309,482,020)	(305,206,823)
Business-type activities	6,685,885	7,233,346	8,829,895
Total primary government net expense	<u>\$ (293,196,530)</u>	<u>(302,248,674)</u>	<u>(296,376,928)</u>
Total component units net expense	<u>\$ (239,514,038)</u>	<u>(259,293,356)</u>	<u>(279,422,295)</u>

Table 2, Continued

Fiscal Years						
2006	2007	2008	2009	2010	2011	2012
101,278,295	117,954,878	135,964,547	143,489,932	143,639,154	138,721,838	144,974,198
77,947,397	82,617,025	93,861,996	91,889,008	87,113,239	90,494,294	100,787,254
40,314,100	44,270,405	52,669,486	47,649,415	48,092,037	40,170,140	47,637,435
6,417,776	6,747,501	7,553,891	9,066,099	7,795,681	8,344,251	7,804,170
38,702,645	40,178,450	43,104,880	44,005,141	42,497,064	44,417,008	44,804,508
157,328,449	209,181,274	212,504,699	226,520,024	213,633,155	179,064,673	203,047,686
19,785,611	20,504,113	20,048,717	18,948,390	19,234,044	19,801,226	17,885,365
21,445,311	22,485,199	22,321,802	22,760,633	22,734,730	21,783,568	20,169,069
463,219,584	543,938,845	588,030,018	604,328,642	584,739,104	542,796,998	587,109,685
41,565,116	45,326,237	49,066,651	51,901,055	53,143,253	54,051,300	56,133,023
9,353,137	10,069,048	9,353,126	9,945,582	11,183,690	9,728,730	10,587,608
3,244,651	3,504,445	6,200,482	7,140,754	8,838,137	8,903,174	7,761,421
110,101	108,625	114,018	-	-	-	-
1,082,663	1,149,121	1,368,308	2,074,693	181,365	-	-
665,589	666,376	681,384	-	-	-	-
56,021,257	60,823,852	66,783,969	71,062,084	73,346,445	72,683,204	74,482,052
519,240,841	604,762,697	654,813,988	675,390,726	658,085,549	615,480,202	661,591,737
374,191,792	413,008,600	495,669,077	500,750,043	486,073,626	474,747,371	472,886,416
4,137,568	4,558,222	4,595,989	4,833,609	4,717,522	4,087,128	4,630,205
5,105,041	5,120,015	3,529,822	2,380,983	2,232,533	1,521,383	2,364,300
12,984	14,672	15,404	12,479	8,619	38,752	44,866
1,202,651	1,421,866	1,295,891	1,396,948	1,656,760	1,297,329	1,324,282
-	-	70,361	107,633	110,503	116,800	145,536
384,650,036	424,123,375	505,176,544	509,481,695	494,799,563	481,808,763	481,395,605
(324,085,472)	(417,000,048)	(454,780,872)	(460,836,399)	(452,485,553)	(398,136,145)	(440,722,743)
13,486,793	19,663,205	24,367,667	18,042,630	8,421,496	21,212,355	18,682,268
(310,598,679)	(397,336,843)	(430,413,205)	(442,793,769)	(444,064,057)	(376,923,790)	(422,040,475)
(298,223,313)	(326,733,130)	(406,795,335)	(414,424,889)	(396,562,927)	(372,341,357)	(359,459,150)

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

Changes in Net Assets  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Years</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>General Revenue and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes: <sup>2</sup>			
Property taxes, levied for general purposes	\$ 186,726,025	205,187,258	224,842,486
Other local taxes	n/a	n/a	n/a
Public service taxes	n/a	n/a	n/a
Sales taxes	n/a	n/a	n/a
Local sales and use taxes	26,452,698	29,744,620	31,989,281
Business license taxes	17,532,069	19,351,581	21,461,924
Consumer utility taxes	17,200,898	19,820,181	20,087,144
Other taxes	33,468,540	33,974,457	38,078,922
Grants and contributions not restricted to specific programs	28,323,399	29,354,088	31,790,594
Unrestricted investment earnings	1,549,235	1,307,168	3,132,655
Miscellaneous	676,900	255,430	990,374
Loss on disposition of assets	(46,502)	-	-
Transfers	1,037,012	402,772	849,137
Total general activities revenues & transfers	<u>\$ 312,920,274</u>	<u>339,397,555</u>	<u>373,222,517</u>
Business-type activities:			
Unrestricted investment earnings	\$ 148,186	61,521	185,162
Transfers	(1,037,012)	(402,772)	(849,137)
Total business-type activities revenues & transfers	<u>\$ (888,826)</u>	<u>(341,251)</u>	<u>(663,975)</u>
Total primary government revenues & transfers	<u>\$ 312,031,448</u>	<u>339,056,304</u>	<u>372,558,542</u>
Component Units:			
Payment from City	\$ 127,255,113	126,876,092	136,398,571
Grants and contributions not restricted to specific programs	118,549,819	132,018,587	145,451,853
Unrestricted investment earnings	24,185	9,668	73,136
Miscellaneous	271,971	1,700,426	651,726
Gain (loss) on disposition of assets	9,422	-	-
Total component units	<u>\$ 246,110,510</u>	<u>260,604,773</u>	<u>282,575,286</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ 13,037,859	29,915,535	68,015,694
Business-type activities	5,797,059	6,892,095	8,165,920
Total primary government net change in net assets	<u>\$ 18,834,918</u>	<u>36,807,630</u>	<u>76,181,614</u>
Total component units net change in net assets	<u>\$ 6,596,472</u>	<u>1,311,417</u>	<u>3,152,991</u>

<sup>1</sup> Change in presentation for Mosquito Control revenue beginning in 2004.

Table 2, Continued

Fiscal Years						
2006	2007	2008	2009	2010	2011	2012
260,070,410	290,780,794	306,455,101	308,040,890	307,213,245	298,873,974	293,799,799
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
34,355,722	35,952,042	35,091,242	32,772,077	31,888,444	32,065,910	33,751,538
23,853,491	24,170,737	24,381,697	23,960,628	22,022,114	23,030,916	24,752,986
20,203,462	21,166,147	23,556,638	10,016,340	10,115,683	10,312,035	10,027,978
41,289,606	41,880,370	41,183,079	47,569,929	48,297,304	49,341,676	50,533,368
33,769,560	32,178,481	31,527,350	31,439,703	31,520,409	31,510,142	31,646,114
8,312,030	13,435,389	11,268,317	7,444,350	3,881,599	2,281,828	2,400,850
3,906,011	3,101,211	4,103,726	3,516,856	3,465,033	2,778,515	3,123,243
-	-	-	-	-	-	-
489,971	1,336,063	2,143,668	370,150	3,133,630	160,429	471,873
426,250,263	464,001,234	479,710,818	465,130,923	461,537,461	450,355,425	450,507,749
112,432	124,242	140,994	64,430	1,269	-	-
(489,971)	(1,336,063)	(2,143,668)	(370,150)	(3,133,630)	(160,429)	(471,873)
(377,539)	(1,211,821)	(2,002,674)	(305,720)	(3,132,361)	(160,429)	(471,873)
425,872,724	462,789,413	477,708,144	464,825,203	458,405,100	450,194,996	450,035,876
150,652,116	202,519,335	204,566,937	218,635,536	205,717,540	171,309,720	195,333,708
149,142,199	166,996,775	170,014,139	183,774,094	155,771,193	152,297,184	137,894,439
1,204,100	2,410,518	4,065,837	1,764,666	1,105,263	591,149	333,931
936,605	589,023	2,747,274	3,811,315	1,363,181	1,065,443	1,188,152
-	-	-	-	-	-	-
301,935,020	372,515,651	381,394,187	407,985,611	363,957,177	325,263,496	334,750,230
102,164,791	47,001,186	24,929,946	4,294,524	9,051,908	52,219,280	9,785,006
13,109,254	18,451,384	22,364,993	17,736,910	5,289,135	21,051,926	18,210,395
115,274,045	65,452,570	47,294,939	22,031,434	14,341,043	73,271,206	27,995,401
3,711,707	45,782,521	(25,401,148)	(6,439,278)	(32,605,750)	(47,077,861)	(24,708,920)

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**Chesapeake**  
VIRGINIA



CITY OF CHESAPEAKE, VIRGINIA  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years - Unaudited

Table 3

	Fiscal Years				
	2003	2004	2005	2006	2007
<b>General Fund</b>					
Reserved:					
Expendable	\$ 5,233,480	7,540,096	11,689,066	19,163,556	43,175,202
Unreserved:					
Designated for cash flow emergencies	22,079,730	24,111,563	25,590,428	28,188,802	31,444,789
Designated for operating emergencies	16,505,980	16,785,980	17,355,561	23,490,669	26,203,990
Designated - General Fund	1,520,106	834,642	1,772,905	2,073,599	1,780,871
Undesignated	17,105,425	22,218,033	44,393,697	77,023,045	45,750,452
Total general fund	62,444,721	71,490,314	100,801,657	149,939,671	148,355,304
<b>All Other Governmental Funds <sup>1</sup></b>					
Reserved:					
Expendable	20,963,764	36,369,243	79,765,826	66,586,197	43,720,331
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	22,072,376	22,098,361	22,935,812	27,015,545	35,722,093
Designated for construction projects	38,131,214	18,756,584	-	-	-
Designated - Special Revenue Funds	225,097	6,687,149	62,553	51,796	51,749
Undesignated - Capital Projects Fund	-	-	(10,387,836)	8,110,323	32,148,580
Undesignated - Special Revenue Funds	7,529,476	9,205,815	12,823,816	16,361,382	26,987,225
Undesignated - Permanent Funds	-	137,962	141,235	146,589	154,274
Total all other governmental funds	88,934,722	93,267,909	105,354,201	118,284,627	138,797,047
<b>Total Governmental Funds</b>	\$ 151,379,443	164,758,223	206,155,858	268,224,298	287,152,351

	Fiscal Years				
	2008	2009	2010	2011	2012
<b>General Fund</b>					
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 for cash flow emergencies	33,669,622	34,270,058	32,100,281	-	-
Designated for 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
<b>All Other Governmental Funds <sup>1</sup></b>					
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 for debt service	35,555,537	36,159,745	38,282,537	-	-
Designated for construction projects	-	-	-	-	-
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
<b>Total Governmental Funds</b>	\$ 283,930,571	313,576,072	305,627,777	350,477,451	317,857,080

<sup>1</sup> Total Governmental Funds Expendable minus General Fund expendable.

**CITY OF CHESAPEAKE, VIRGINIA**

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

	2003	2004	2005	2006
<b>REVENUES</b>				
General property taxes	\$ 187,609,314	203,503,495	224,815,562	254,570,961
Other local taxes	94,654,205	102,890,839	111,617,271	115,380,212
Licenses, permits, and fees	1,969,790	2,495,770	2,900,145	7,422,144
Fines and forfeitures	2,416,446	2,440,972	2,929,501	3,587,702
Investment income	2,150,796	1,363,374	3,361,642	7,628,030
Revenues from use of property	340,415	428,172	402,355	692,489
Charges for services	11,361,018	12,026,360	12,586,752	13,094,005
Miscellaneous local revenues	342,431	394,904	701,593	1,181,755
Recovered costs	4,412,312	4,087,899	3,522,595	3,039,786
Program income	407,175	284,699	172,643	179,969
Revenues from local developers	636,732	1,011,455	1,737,131	2,360,155
Intergovernmental revenues:				
Commonwealth of Virginia	83,417,285	89,547,556	91,882,899	99,075,408
Federal government	15,930,534	29,013,323	17,469,444	19,257,416
Federal government - American Reinvestment and Recovery Act	-	-	-	-
Mosquito Control Commission	-	-	-	300,000
Chesapeake Public Schools	920,741	1,318,184	2,252,275	3,461,393
Other localities	-	-	-	-
Total revenues	\$ 406,569,194	450,807,002	476,351,808	531,231,425
<b>EXPENDITURES</b>				
Current:				
General government	\$ 79,234,484	105,434,018	96,583,251	99,715,504
Public safety	64,901,277	65,491,774	70,474,672	76,643,995
Public works	38,551,088	38,461,949	41,022,326	42,423,515
Parks	7,932,242	8,741,202	3,932,120	6,373,828
Public welfare	32,916,436	33,987,999	37,357,981	37,860,700
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.				
Education - Payments to Public Schools	127,635,002	127,774,672	137,190,122	150,652,116
General government - Payments to Mosquito Control Commission	-	-	-	-
Capital outlay	13,885,628	15,599,421	34,960,257	51,450,380
Debt service:				
Principal	22,935,196	25,577,280	26,854,851	29,135,993
Interest	22,431,441	21,393,424	19,760,635	19,369,437
Total expenditures	410,422,794	442,461,739	468,136,215	513,625,468
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (3,853,600)	8,345,263	8,215,593	17,605,957

**Table 4**

<b>Fiscal Years</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
287,428,178	303,752,471	305,829,730	304,947,151	296,632,594	293,402,936
117,811,881	118,584,264	114,318,974	112,323,545	114,750,537	119,065,871
8,267,568	8,320,450	7,803,173	7,575,603	7,972,072	8,307,084
3,284,658	3,571,138	2,335,259	2,028,178	2,261,473	2,675,066
12,277,373	10,159,705	6,904,289	3,591,409	2,050,170	2,252,138
752,247	821,971	848,257	804,015	778,597	898,374
14,430,213	15,356,589	16,237,073	18,153,264	18,828,633	17,862,425
2,111,967	2,579,045	4,352,154	3,173,343	1,794,641	2,129,706
2,235,212	2,452,331	2,548,192	2,272,195	1,809,704	2,036,718
196,657	140,431	277,191	206,739	124,629	158,692
1,539,730	1,088,464	705,995	831,779	412,363	585,076
101,746,899	106,204,101	101,886,059	95,205,573	103,376,371	106,086,317
16,213,096	19,646,487	17,117,982	19,485,307	31,301,818	35,562,794
-	-	3,188,902	9,012,210	7,508,761	2,262,536
300,000	300,000	-	-	-	-
3,050,079	4,456,580	2,229,109	960,855	541,907	269,357
-	-	-	-	-	-
571,645,758	597,434,027	586,582,339	580,571,166	590,144,270	593,555,090
104,994,583	114,701,994	118,517,768	117,475,619	115,688,136	118,108,161
83,176,840	91,538,720	88,970,424	87,356,259	89,830,242	97,250,186
47,655,696	52,950,476	52,872,322	54,166,903	48,602,743	49,987,411
6,910,347	7,827,906	8,889,221	8,364,559	8,397,383	8,251,131
39,744,863	41,520,684	43,289,297	42,255,922	44,026,969	44,353,875
	1,040,243	50,282	53,368	43,133	33,625
202,519,335	204,566,937	218,635,536	205,717,540	171,309,720	195,333,708
-	-	-	-	-	347,408
44,627,098	37,665,536	32,194,102	42,246,435	56,570,778	67,227,782
30,420,147	33,226,719	35,766,343	37,413,352	27,821,247	40,084,951
21,508,440	20,321,152	19,497,740	17,129,985	29,811,366	18,612,948
581,557,349	605,360,367	618,683,035	612,179,942	592,101,717	639,591,186
(9,911,591)	(7,926,340)	(32,100,696)	(31,608,776)	(1,957,447)	(46,036,096)

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**

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

	2003	2004	2005	2006
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	\$ 61,746,888	65,857,985	68,380,647	70,582,784
Proceeds from equipment capital leases	-	-	-	531,918
Lease revenue bond issued	-	4,940,000	-	-
Section 108 loan funds	-	720,000	-	-
General obligation bonds issued	102,825,000	-	13,815,000	15,865,000
General obligation refunding bonds issued	-	62,920,000	-	-
Transfers to other funds	(61,580,997)	(66,899,055)	(68,917,222)	(70,584,457)
Payment to refunded bond escrow agent	(89,449,965)	(70,300,043)	(913,530)	-
Premiums on general obligation bonds issued	8,219,994	-	394,743	59,276
Premiums on refunding bonds issued	-	7,794,630	-	-
VPSA bond proceeds	-	-	19,275,000	26,935,000
Premiums on VPSA bonds	-	-	1,147,404	1,072,963
Total other financing sources (uses)	21,760,920	5,033,517	33,182,042	44,462,484
<b>Net change in fund balances</b>	<b>\$ 17,907,320</b>	<b>13,378,780</b>	<b>41,397,635</b>	<b>62,068,441</b>
<b>Debt service as a percentage of noncapital expenditures</b> <sup>1</sup>	<b>11.44%</b>	<b>11.00%</b>	<b>10.76%</b>	<b>10.50%</b>

<sup>1</sup> 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, Continued*

<b>Fiscal Years</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
110,177,288	112,215,093	105,080,053	113,218,228	109,787,305	95,800,084
-	-	-	4,490,443	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	23,015,000	2,555,000	52,845,000	-
-	-	17,255,000	-	-	76,840,000
(110,345,316)	(117,513,581)	(105,121,391)	(109,862,086)	(116,595,421)	(95,643,209)
-	-	(17,774,815)	-	-	(84,369,830)
-	-	732,755	-	770,237	5,786,007
-	-	-	-	-	-
28,080,000	9,490,000	34,285,000	12,280,000	-	14,170,000
927,672	513,048	2,715,026	978,896	-	832,673
28,839,644	4,704,560	60,186,628	23,660,481	46,807,121	13,415,725
18,928,053	(3,221,780)	28,085,932	(7,948,295)	44,849,674	(32,620,371)
9.67%	9.43%	9.42%	9.57%	10.76%	10.26%

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

	Fiscal Years				
	2003	2004	2005	2006	2007
Real Property Assessed Value <sup>1</sup>	\$ 12,119,195,740	13,248,747,216	14,713,238,641	17,451,186,558	22,067,528,772
Real Property Estimated Actual Value <sup>1</sup>	12,119,195,740	13,248,747,216	14,713,238,641	17,451,186,558	22,067,528,772
Personal Property Assessed Value <sup>1</sup>	1,374,652,783	1,426,488,475	1,583,230,288	1,685,278,225	1,735,938,436
Personal Property Estimated Actual Value <sup>1</sup>	1,374,652,783	1,426,488,475	1,583,230,288	1,685,278,225	1,735,938,436
Total Assessed Value	13,493,848,523	14,675,235,691	16,296,468,929	19,136,464,783	23,803,467,208
Total Direct Tax Rate <sup>2</sup>	1.54	1.54	1.53	1.46	1.30
Estimated Actual Value	13,493,848,523	14,675,235,691	16,296,468,929	19,136,464,783	23,803,467,208
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2008	2009	2010	2011	2012
Real Property Assessed Value <sup>1</sup>	\$ 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 <sup>1</sup>	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672	23,821,885,769
Personal Property Assessed Value <sup>1</sup>	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 <sup>1</sup>	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 <sup>2</sup>	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%

<sup>1</sup> Source: City of Chesapeake Commission of the Revenue<sup>2</sup> 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.

Direct and Overlapping Property Tax Rates <sup>2,3</sup>  
 Last Ten Fiscal Years - Unaudited  
 (rate per hundred)

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real Estate <sup>1,2</sup>	\$ 1.26	1.26	1.26	1.21	1.09	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 <sup>4</sup>	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 <sup>5</sup>	1.50	1.50	1.50	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property <sup>4</sup>	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes <sup>6</sup>	1.26	1.26	1.26	1.21	1.09	1.04	1.04	1.04	1.04	1.04
Machinery & Tools <sup>4</sup>	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm <sup>4</sup>	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes <sup>4</sup>	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate <sup>7</sup>	1.54	1.54	1.53	1.46	1.30	1.24	1.22	1.23	1.24	1.25

<sup>1</sup> Assessment of Real Estate is 100 percent of fair market value.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> The general tax rate on boat assessments was reduced to \$.01 per \$100 effective January 1, 2006.

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

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

SOURCE: City of Chesapeake, Ordinances

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers  
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2012		Fiscal Year 2003	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 680,385,983	2.86%	\$ 447,062,401	3.69%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	93,540,600	0.39%	98,339,100	0.81%
Liberty Property LTD Partnership	Shopping Center & Office Bldg	80,357,600	0.34%	-	-
Chesapeake Mall LLC	Shopping Mall	67,228,700	0.28%	79,433,500	0.66%
Wal-Mart Stores East LP	Shopping Center	61,274,300	0.26%	-	-
CP Venture Two LLC	Shopping Center, Bank, Restaurant	52,420,800	0.22%	56,903,600	0.47%
Chesapeake CVSD LN Apt Prop Own	Apartment Complex	51,892,800	0.22%	-	-
Woodlake Co Limited Partnership	Apartment Complex	47,810,600	0.20%	32,138,000	0.27%
352 LLC	Apartment Complex	40,297,200	0.17%	-	-
JLP Chesapeake LLC	Retail	39,811,300	0.17%	36,079,900	0.30%
Crossways Associates LLC	Office Buildings	37,122,800	0.16%	29,515,500	0.24%
Dollar Tree Distribution Inc	Distribution Center	-	-	25,810,000	0.21%
Chesapeake Center Associates	Shopping Center	-	-	18,440,000	0.15%
Mitsubishi Kasei America Inc	Manufacturing	-	-	24,847,700	0.21%
Total Top Ten Principal Taxpayers <sup>1</sup>		\$ 1,252,142,683	5.26%	\$ 848,569,701	7.00%
Total Assessed Valuation <sup>2</sup>		\$ 23,821,855,769		\$ 12,119,195,740	

Source: <sup>1</sup> City of Chesapeake Real Estate Assessor

<sup>2</sup> City of Chesapeake Commissioner of Revenue



CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Levies  
Last Ten Fiscal Years - Unaudited

	Fiscal Years				
	2003	2004	2005	2006	2007
Real Property <sup>1</sup>	\$ 145,107,682	158,879,070	177,090,767	204,335,250	235,211,107
Motor Vehicles	42,472,194	43,910,119	49,151,769	53,519,922	54,529,778
Motor Carriers	298,298	277,821	394,098	400,580	532,659
Recreation Vehicles	259,567	283,302	335,302	380,969	405,623
Boats <sup>2</sup>	332,763	337,128	374,285	-	16
Business	7,948,489	8,243,408	8,789,092	9,216,386	9,766,342
Motor Homes	172,051	174,286	184,361	181,302	173,849
Machinery & Tools	2,399,467	2,608,522	2,699,724	2,835,759	3,006,118
Farm	104,042	109,295	111,666	76,574	120,436
Airplanes	15,919	19,651	31,450	35,978	37,310

	Fiscal Years				
	2008	2009	2010	2011	2012
Real Property <sup>1</sup>	\$ 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 <sup>2</sup>	-	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

<sup>1</sup> Public service corporation property is not included

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

Source: City of Chesapeake Commissioner of the Revenue

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**Chesapeake**  
VIRGINIA

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 9*

Property Tax Levies and Collections  
Last Ten Fiscal Years - Unaudited

<b>Fiscal Years</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections<sup>1, 2, 3</sup></b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections<sup>1, 5</sup></b>	<b>Total Tax Collections</b>	<b>Total Collections as a Percent of Total Tax Levy</b>	<b>Outstanding Delinquent Taxes<sup>4</sup></b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2003	209,091,303	197,419,119	94.42%	16,737,939	214,157,058	102.42%	7,949,957	3.80%
2004	225,644,477	212,646,800	94.24%	18,331,933	230,978,733	102.36%	9,127,960	4.05%
2005	250,428,244	235,274,576	93.95%	19,255,212	254,529,788	101.64%	9,574,391	3.82%
2006	281,317,257	270,230,570	96.06%	16,996,163	287,226,733	102.10%	14,349,235	5.10%
2007	313,533,474	302,736,730	96.56%	16,452,269	319,188,999	101.80%	17,610,961	5.62%
2008	333,265,028	320,625,461	96.21%	15,321,936	335,947,397	100.80%	21,971,429	6.59%
2009	333,315,537	321,158,867	96.35%	14,517,602	335,676,469	100.71%	22,860,659	6.86%
2010	335,044,180	322,313,673	96.20%	12,714,138	335,027,811	100.00%	24,859,666	7.42%
2011	325,454,706	293,876,393	90.30%	14,072,588	307,948,981	94.62%	28,235,149	8.68%
2012	322,131,965	307,325,140	95.40%	15,501,073	322,826,213	100.22%	29,133,196	9.04%

<sup>1</sup> Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit.

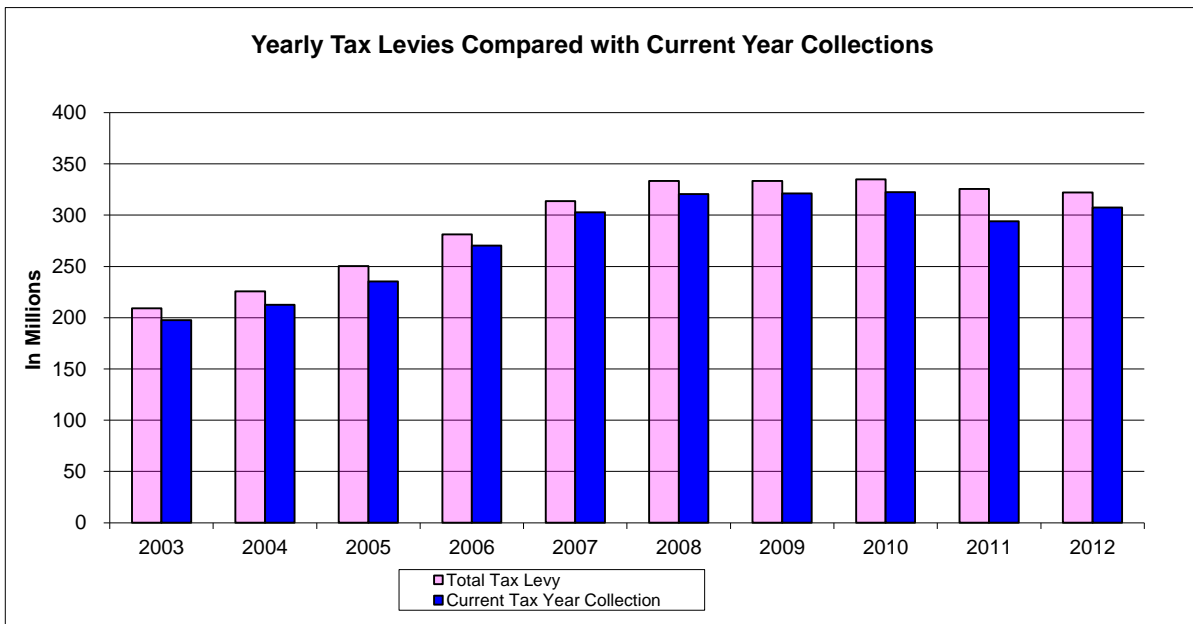
<sup>2</sup> Collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

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

<sup>4</sup> Tax receivables as of June 30 less allowance for uncollectible amounts.

<sup>5</sup> Delinquent tax detail is not presently available to allocate collections to the year of the origination of the levy.

**Source: City of Chesapeake Commissioner of the Revenue**



**CITY OF CHESAPEAKE, VIRGINIA**

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

		2003	2004	2005	2006
General Obligation Bonds	\$	375,081,773	355,039,000	363,966,570	381,132,435
School Literary Loans		6,825,834	6,276,341	5,726,848	5,177,355
Certificates of Participation		5,870,000	4,015,000	2,060,000	-
Installment Purchase Agreement		-	-	-	-
Section 108 Loans		2,010,000	2,500,000	2,255,000	1,995,000
Edinburg Loan Payable		-	-	-	-
Supplemental Payments Agreement		27,720,000	26,820,000	25,870,000	24,205,000
Capital Leases to Component Units		40,510,000	38,125,000	34,335,000	31,750,000
Capital Leases		13,185,845	14,165,348	12,112,890	12,170,380
Notes Payable		193,065	121,849	48,578	-
<b>Total Governmental Activities<sup>1</sup></b>	<b>\$</b>	<b>471,396,517</b>	<b>447,062,538</b>	<b>446,374,886</b>	<b>456,430,170</b>

		2003	2004	2005	2006
General Obligation Bonds <sup>2</sup>	\$	138,200,117	133,117,323	135,351,558	130,434,187
Utility Notes Payable		808,075	690,000	575,000	460,000
Revenue Bonds		29,395,000	29,120,000	21,630,000	21,630,000
Due to the Commonwealth of Virginia		70,447,794	69,964,516	71,958,461	71,078,118
<b>Total Business-Type Activities</b>		<b>238,850,986</b>	<b>232,891,839</b>	<b>229,515,019</b>	<b>223,602,305</b>
<b>Total Primary Government</b>	<b>\$</b>	<b>710,247,503</b>	<b>679,954,377</b>	<b>675,889,905</b>	<b>680,032,475</b>

Percent of Personal Income <sup>3</sup>		10.88%	9.86%	9.30%	8.77%
All Debt Per Capita <sup>3,4</sup>		3,406	3,188	3,120	3,110

<sup>1</sup> Represents net direct debt.

<sup>2</sup> 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.

<sup>3</sup> See Table 18 Demographic and Economic Statistics for personal income and population data.

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

n/a = not yet available.

Table 10

Governmental Activities					
2007	2008	2009	2010	2011	2012
380,587,671	359,916,595	384,059,484	365,656,124	384,298,550	369,671,375
4,627,862	4,078,369	3,528,876	2,979,383	2,429,890	1,920,312
-	-	-	-	-	-
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
1,715,000	1,415,000	1,095,000	755,000	390,000	-
-	-	-	-	-	3,566,037
23,160,000	22,065,000	20,925,000	19,735,000	18,495,000	17,190,000
28,915,000	25,960,000	22,875,000	19,650,000	16,245,000	3,905,000
12,590,549	8,903,865	5,173,336	7,065,815	4,572,549	2,713,052
-	-	-	-	-	-
452,938,366	423,681,113	438,998,980	417,183,606	427,773,273	400,308,060

Business-Type Activities					
2007	2008	2009	2010	2011	2012
125,473,614	120,754,717	115,935,563	111,340,000	104,410,000	98,140,000
345,000	230,000	115,000	-	-	-
21,630,000	21,245,000	20,835,000	56,790,000	56,335,000	55,120,000
68,520,358	68,163,966	67,321,762	65,828,257	66,265,372	63,210,753
215,968,972	210,393,683	204,207,325	233,958,257	227,010,372	216,470,753
668,907,338	634,074,796	643,206,305	651,141,863	654,783,645	616,778,813
8.26%	7.20%	7.23%	n/a	n/a	n/a
3,023	2,834	2,855	2,869	2,928	2,695

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

Fiscal Year	General Bonded Debt Outstanding				Total	% of Actual Taxable Value of Property <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	School Literary Loans	Installment Purchase Agreement				
2003	\$ 375,081,773	6,825,834	-		381,907,607	2.83%	\$ 1,831
2004	355,039,000	6,276,341	-		361,315,341	2.46%	1,694
2005	363,966,570	5,726,848	-		369,693,418	2.27%	1,706
2006	381,132,435	5,177,355	-		386,309,790	2.02%	1,767
2007	380,587,671	4,627,862	1,342,284		386,557,817	1.62%	1,741
2008	359,916,595	4,078,369	1,342,284		365,337,248	1.38%	1,627
2009	384,059,484	3,528,876	1,342,284		388,930,644	1.43%	1,721
2010	365,656,124	2,979,383	1,342,284		369,977,791	1.36%	1,624
2011	384,298,550	2,429,890	1,342,284		388,070,724	1.49%	1,735
2012	369,671,375	1,920,312	1,342,284		372,933,971	1.45%	1,630

<sup>1</sup> Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.

<sup>2</sup> Refer to Table 18 Demographic and Economic Statistics for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

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<sup>1</sup>*

Fiscal Year	Overall Net Debt <sup>2</sup>	Assessed Value of Taxable Real Property <sup>3</sup>	Overall Net Debt to Assessed Value of Taxable Real Property	Population <sup>4</sup>	Overall Net Debt Per Capita
2003	\$ 471,396,517	\$ 12,119,195,740	3.89%	208,533	\$ 2,261
2004	447,062,538	13,248,747,216	3.37%	213,303	2,096
2005	446,374,886	14,713,238,641	3.03%	216,644	2,060
2006	456,430,170	17,451,186,558	2.62%	218,638	2,088
2007	452,938,366	22,067,528,772	2.05%	221,282	2,047
2008	423,681,113	24,740,116,412	1.71%	223,743	1,894
2009	438,998,980	25,573,792,526	1.72%	225,255	1,949
2010	417,183,606	25,479,133,480	1.64%	226,995	1,838
2011	427,773,273	24,341,395,672	1.76%	223,647	1,913
2012	400,308,060	23,821,885,769	1.68%	228,835	1,749

<sup>1</sup> Policy adopted February 27, 2007.

<sup>2</sup> Source: Table 10. Does not include business-type activities.

<sup>3</sup> Source: Table 5

<sup>4</sup> Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2003 - 2006 as of April 2010) and City of Chesapeake Planning Department estimates (2007 - 2012).

**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

<b>Fiscal Year</b>	<b>Total General Governmental Expenditures<sup>1</sup></b>	<b>Bonded Debt Expenditures<sup>2</sup></b>	<b>Ratio of Bonded Debt Expenditures to General Governmental Expenditures</b>
2003	573,498,079	41,536,122	7.24%
2004	621,319,617	43,143,614	6.94%
2005	657,971,769	42,781,735	6.50%
2006	689,369,774	43,929,646	6.37%
2007	759,523,545	47,464,752	6.25%
2008	810,133,787	49,092,355	6.06%
2009	813,688,744	51,587,721	6.34%
2010	788,313,157	51,373,945	6.52%
2011	786,367,294	53,671,048	6.83%
2012	804,601,179	54,520,530	6.78%

<sup>1</sup> 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.

<sup>2</sup> Expenditures for general obligation bonds, excluding those reported in Enterprise Funds.



**CITY OF CHESAPEAKE, VIRGINIA**

*Table 14*

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

<b>Fiscal Year</b>	<b>Local Revenues <sup>1</sup></b>	<b>Bonded Debt Expenditures <sup>2</sup></b>	<b>Ratio of Bonded Debt Expenditures To Local Revenues</b>
2003	357,571,178	52,409,607	14.66%
2004	388,086,776	56,876,709	14.66%
2005	422,035,831	56,134,812	13.30%
2006	469,471,620	57,006,066	12.14%
2007	518,706,472	60,616,238	11.69%
2008	545,720,961	62,041,525	11.37%
2009	539,694,349	64,080,911	11.87%
2010	530,717,664	63,449,882	11.96%
2011	548,808,465	67,150,204 <sup>3</sup>	12.24%
2012	549,969,765	68,582,088	12.47%

<sup>1</sup> 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 Expressway Fund 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.

<sup>2</sup> Includes bonded debt expenditures for governmental and business-type activities.

<sup>3</sup> Restated.

**CITY OF CHESAPEAKE, VIRGINIA**

*Table 15*

Direct and Overlapping Governmental Activities Debt  
 June 30, 2012 - Unaudited

<b>Jurisdiction</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable To Government</b>	<b>Amount Applicable To Government</b>
Direct:			
City of Chesapeake	\$ 400,308,060	100.0%	\$ 400,308,060
Overlapping:			
None	-	0.0%	-
<b>TOTAL</b>	<b>\$ 400,308,060</b>	<b>100.0%</b>	<b>\$ 400,308,060</b>

**CITY OF CHESAPEAKE, VIRGINIA**  
 Legal Debt Margin Information  
 Last Ten Fiscal Years - Unaudited

*Table 16*

Fiscal Years	Debt Limit <sup>1</sup>	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2003	\$ 1,211,919,574	431,796,488	780,123,086	35.6%
2004	1,324,874,722	408,131,152	916,743,570	30.8%
2005	1,471,323,864	419,397,742	1,051,926,122	28.5%
2006	1,745,118,656	428,638,432	1,316,480,224	24.6%
2007	2,206,752,877	416,954,338	1,789,798,539	18.9%
2008	2,474,011,641	392,971,429	2,081,040,212	15.9%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%
2012	2,382,188,577	386,127,534	1,996,061,043	16.2%

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

CITY OF CHESAPEAKE, VIRGINIA

Table 17

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

Water and Sewer Systems							
Fiscal Year	Gross Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS <sup>3</sup>			Coverage <sup>4</sup>
				Principal	Interest	Total	
2003	32,372,879	23,536,100	8,836,779	700,000	1,090,046	1,790,046	4.94
2004	37,595,984	23,697,902	13,898,082	275,000	392,674	667,674	20.82
2005	37,354,500	25,652,449	11,702,051	193,333	190,895	384,228	30.46
2006	40,665,906	27,263,177	13,402,729	-	-	-	n/a
2007	45,444,218	29,780,532	15,663,686	-	-	-	n/a
2008	50,215,171	32,922,887	17,292,284	-	-	-	n/a
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76
2011	62,490,959 <sup>5</sup>	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60
2012	61,960,470 <sup>5</sup>	38,720,225	23,240,245	750,000	1,947,443	2,697,443	8.62

Chesapeake Expressway							
Fiscal Year	Gross Revenue	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage <sup>6</sup>
				Principal	Interest	Total	
2003	6,249,849	2,362,723	3,887,126	-	1,216,688	1,216,688	3.19
2004	6,678,718	2,173,814	4,504,904	-	1,216,688	1,216,688	3.70
2005	6,911,794	2,204,682	4,707,112	-	1,216,688	1,216,688	3.87
2006	7,074,711	2,480,948	4,593,763	-	1,216,688	1,216,688	3.78
2007	7,375,691	2,520,958	4,854,733	-	1,216,688	1,216,688	3.99
2008	7,217,160	2,607,820	4,609,340	385,000	1,205,859	1,590,859	2.90
2009	6,910,173	2,965,959	3,944,214	410,000	1,183,500	1,593,500	2.48
2010	7,097,481	2,803,534	4,293,947	430,000	1,159,875	1,589,875	2.70
2011	8,131,491	2,880,655	5,250,836	455,000	1,134,984	1,589,984	3.30
2012	10,488,113	2,760,383	7,727,730	480,000	1,108,688	1,588,688	4.86

<sup>1</sup> Gross revenues are defined as exclusive of interest and less fifty percent (50%) of connection fees for the Water and Sewer System under the 1987 bond resolution for all revenue bonds issued prior to fiscal year 2010. In fiscal year 2010 and in subsequent fiscal years, under the Master Agreement of Trust (MAT), 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.

<sup>2</sup> Operating expenses are exclusive of depreciation and amortization and renewal and replacement costs.

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

<sup>4</sup> Per the 2010 Water Sewer MAT, net revenue shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt.

<sup>5</sup> The transfers to the Rate Stabilization Fund for FY 2011 and FY 2012 were \$5.2 million and \$3.0 million respectively.

<sup>6</sup> Net toll revenues shall be at least 1.25 times aggregate debt service on outstanding senior bonds for each such fiscal year.

Demographic and Economic Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>2</sup> (in thousands)	Per Capita Income <sup>2</sup>	School Enrollment <sup>3</sup>	Chesapeake Unemployment Rate <sup>4</sup>	Virginia Unemployment Rate <sup>4</sup>
2003	208,533	6,528,754	31,324	38,862	3.8%	4.2%
2004	213,303	6,896,084	32,350	39,440	3.7%	3.9%
2005	216,644	7,266,605	33,567	40,005	3.7%	3.6%
2006	218,638	7,753,052	35,504	40,121	3.2%	3.2%
2007	221,282	8,102,202	37,025	39,465	3.1%	2.9%
2008	223,743	8,810,046	39,988	39,026	3.3%	3.3%
2009	225,255	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	9,103,000	40,812	38,864	6.8%	7.0%
2011	223,647	n/a	n/a	38,668	6.6%	6.5%
2012	228,835	n/a	n/a	38,421	6.3%	6.0%

n/a - Information not yet available

## Sources:

- <sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2003 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2012). 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.
- <sup>2</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2012)
- <sup>3</sup> Chesapeake Public Schools
- <sup>4</sup> U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through February 2012)

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Principal Employers  
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2012		Fiscal Year 2003	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools <sup>1</sup>	Government	5,729	5.01%	4,894	4.54%
City of Chesapeake <sup>3</sup>	Government	3,550	3.11%	3,090	2.87%
Chesapeake Regional Medical Center	Hospital & healthcare services	2,300	2.01%	2,400	2.23%
Cox Communications	Hampton Roads headquarters/customer care center	1,600	1.40%	500	0.46%
Sentara Home Care Services	Home care nursing	1,100	0.96%	-	0.00%
General Dynamics Information Technology	Engineering and technical services	780	0.68%	-	0.00%
Dollar Tree Stores Inc	Corporate headquarters/distribution facility	660	0.58%	-	0.00%
Captial One	Credit Intermediation and Related Activities	650	0.57%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration Service Center	600	0.52%	-	0.00%
Canon Information Technology Service Inc	Technical and consumer support	550	0.48%	-	0.00%
Oceaneering International	Transportation Equipment Manufacturing	360	0.31%	-	0.00%
QVC Chesapeake Inc	Phone center/order processing facility	300	0.26%	1,276	1.18%
Lifetouch National School Studios Inc	School photography processing plant	300	0.26%	665	0.62%
First Data Resources	Card processing center	300	0.26%	-	0.00%
Caci Acquisition Inc	Professional, Scientific and Technical Services	300	0.26%	-	0.00%
		<b>19,079</b>	<b>16.69%</b>	<b>12,825</b>	<b>11.91%</b>
<b>Total Employment <sup>2</sup></b>		<b>114,308</b>		<b>107,692</b>	

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

n/a - not available

<sup>1</sup> Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

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

<sup>3</sup> Source is Budget Department

**CITY OF CHESAPEAKE, VIRGINIA**

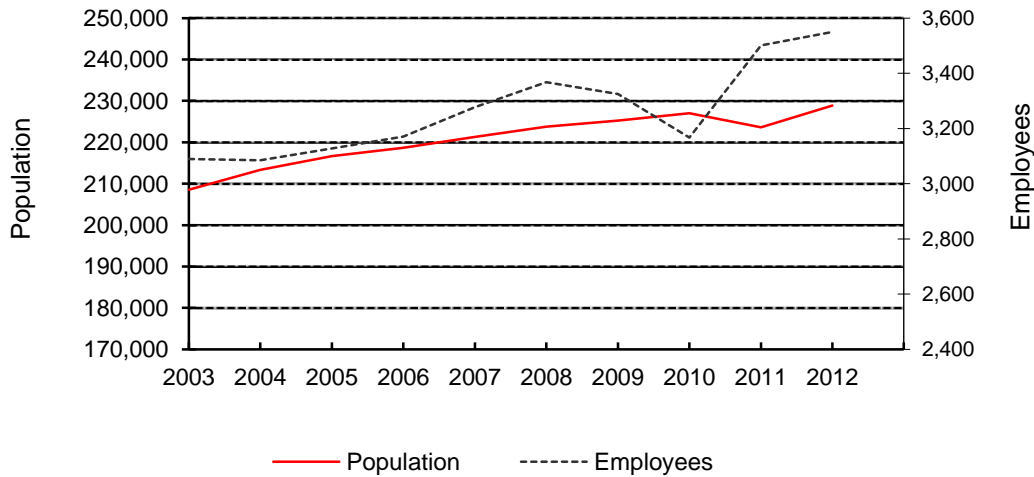
*Table 20*

Municipal Employment Statistics  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population <sup>1</sup>	Total Employees	Employees Per 1,000 Population
2003	208,533	3,090	14.8
2004	213,303	3,085	14.5
2005	216,644	3,128	14.4
2006	218,638	3,170	14.5
2007	221,282	3,277	14.8
2008	223,743	3,368	15.1
2009	225,255	3,325	14.8
2010	226,995	3,167	14.0
2011	223,647	3,501	15.7
2012	228,835	3,550	15.5

Sources: <sup>1</sup> Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2003 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2012)

**Population and Employee Figures**



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

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**Chesapeake**  
VIRGINIA



## CITY OF CHESAPEAKE, VIRGINIA

Table 21

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Function/Program</b>										
General Government										
Management Services				40	41	43	43	38	42	43
Economic Development				71	74	74	73	60	49	76
Finance				24	25	26	25	22	24	25
Information Technology				54	55	57	54	52	58	61
Human Resources				17	20	20	21	21	20	21
Budget				7	7	7	7	6	7	7
Agriculture				8	8	8	7	5	7	7
Programs & Permits				7	4	7	6	28	73	76
Other				244	257	248	242	221	265	243
Police				507	498	546	520	510	543	554
Sheriff				346	389	396	403	393	407	406
Fire				418	452	426	432	415	428	444
Community Services				158	159	172	167	166	207	210
Bureau of Community Programs				57	59	58	58	60	24	23
Public Works				425	438	445	424	377	449	451
Parks and Recreation				77	81	84	89	81	177	177
Library				80	85	84	84	79	118	122
Public Utilities				195	184	194	198	184	208	208
General Service: <sup>1</sup>				66	71	70	70	66	-	-
Justice				53	63	94	86	76	84	84
Health and Human Services				316	307	309	316	307	311	312
Total	3,090	3,085	3,128	3,170	3,277	3,368	3,325	3,167	3,501	3,550

**Source:** Personnel Summary provided by Budget Department<sup>1</sup> Department of General Services was absorbed into the Departments of Parks and Recreation, and Public Works effective fiscal year 2011.<sup>2</sup> With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees. In fiscal year 2011 and in subsequent years, part-time employees full-time equivalent are included.**Note:** Detailed information for 2003 - 2005 is not available

**CITY OF CHESAPEAKE, VIRGINIA**

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Function/Program</b>					
General Government					
Building Permits Issued	6,321	6,519	6,769	6,481	5,547
Building Inspections Conducted	15,616	14,864	16,432	14,600	11,022
Electrical Permits Issued	4,093	4,483	4,996	4,775	4,156
Electrical Inspections Performed	10,688	11,520	13,462	12,260	12,636
Plumbing Permits Issued	1,913	1,925	2,420	2,280	1,898
Plumbing Inspections Performed	8,912	10,946	10,952	9,724	8,788
Mechanical/Gas Permits Issued	6,101	6,120	6,878	6,163	5,147
Mechanical/Gas Inspections Performed	14,020	14,305	17,981	18,447	12,769
Code Compliance Inspections	15,992	13,339	14,013	20,270	20,570
Police					
Calls for Police Service	156,002	151,753	135,054	131,669	126,458
Part I Law Violations	10,125	8,432	9,236	9,183	8,005
Total Criminal Charges (primary and secondary)	n/a	n/a	n/a	n/a	n/a
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	57,858	63,609	55,715
DUI Arrests	823	948	1,243	1,159	925
Fire					
Calls answered for Fire Protection Services	22,421	23,416	23,460	23,911	24,504
Public Works					
Refuse Collected (tons per year)	108,046	115,592	114,605	118,899	116,794
Street Resurfacing (miles)	67.69	56.57	47.58	44.99	54.58
Potholes Repaired	n/a	n/a	n/a	5,200	3,376
Water					
Active Service Accounts	57,210	58,187	59,008	59,880	60,390
Daily Average Consumption in Gallons (in mgd) <sup>1</sup>	15.00	15.00	16.00	16.53	16.20
Daily Average Water Provided by Chesapeake (in mgd)	8.67	9.15	9.25	9.73	10.67
Daily Average Water Purchased from other localities (in m	6.14	6.37	6.71	6.08	5.46
Wastewater					
Active Service Accounts	55,361	56,340	57,160	58,046	58,579
Parks and Recreation					
Youth Athletics - Participants	10,036	9,414	9,003	8,414	7,793
Youth Athletics - Teams	772	715	695	648	601
Youth Athletics - Coaches	1,481	1,345	1,353	1,359	1,200
Adult Athletics - Participants	3,890	3,544	4,180	4,445	4,064
Adult Athletics - Teams	219	199	236	235	228
Special Programs Athletics - Participants	491	510	1,065	818	627
Special Programs Athletics - Programs	11	10	11	9	10
Leisure Classes - Youth Participants	1,915	2,174	2,104	2,073	1,908
Leisure Classes - Adult Participants	1,085	1,246	1,258	779	769
Leisure Classes - Community Program Participants <sup>2</sup>	33,560	44,151	47,268	42,623	45,247
Leisure Classes - Special Event Attendance	28,250	29,200	34,900	34,250	31,750
Community Center Attendance <sup>3</sup>	164,818	n/a	173,191	199,587	172,544
Community Center ID Sales	8,582	n/a	10,147	8,974	9,528
Community Center Rentals	1,848	n/a	1,607	1,769	1,392
Library					
Items Checked Out	1,623,957	1,781,996	1,890,069	1,956,559	1,912,077
Interlibrary Loans - Borrowed	871	906	910	1,072	974
Interlibrary Loans - Loans	2,380	2,452	2,591	2,696	2,146
Library Collection	637,065	646,189	678,422	677,933	691,482
Patron Visits	1,160,061	1,125,096	1,349,598	1,589,297	1,622,831
Website Visits	353,100	n/a	520,208	692,305	654,106
Registered Patrons	195,481	163,089	182,623	188,999	207,190
Total Programming	2,446	2,316	2,418	2,417	2,541
Total Programming - Participants	71,745	67,858	73,708	70,343	96,476
Typewriter Use	1,592	1,443	925	774	471
Public Computer Use	191,387	222,471	407,157	517,870	600,024
Bookmobile - Patrons <sup>4</sup>	13,093	15,514	14,597	12,761	15,516
Bookmobile - Number of Stops <sup>4</sup>	1,312	1,453	1,380	1,201	1,307
Bookmobile - Miles Driven <sup>4</sup>	6,609	7,266	7,078	6,364	7,811
Schools					
Student Enrollment	38,862	39,440	40,005	40,121	39,465

Source: Various City Departments

n/a - Information not available

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

<sup>2</sup> Summer Food Service Program was transferred to Schools in FY09.

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

<sup>4</sup> Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need.

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Function/Program</b>					
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	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	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) <sup>1</sup>	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 - Participants	700	495	480	408	379
Special Programs Athletics - Programs	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 <sup>2</sup>	63,892	3,346	3,386	3,277	3,644
Leisure Classes - Special Event Attendance	26,915	27,775	28,095	34,328	20,525
Community Center Attendance <sup>3</sup>	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
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 <sup>4</sup>	16,219	15,348	14,390	6,176	9,645
Bookmobile - Number of Stops <sup>4</sup>	1,331	1,291	1,324	448	492
Bookmobile - Miles Driven <sup>4</sup>	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

<sup>1</sup> Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)<sup>2</sup> Summer Food Service Program was transferred to Schools in FY09.<sup>3</sup> Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs.<sup>4</sup> Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need.

**CITY OF CHESAPEAKE, VIRGINIA**

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

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b><u>Function/Program</u></b>					
<b>Police</b>					
Precincts	5	5	5	5	5
Marked Patrol Units	214	231	208	194	214
<b>Fire Stations</b>	15	15	15	15	15
<b>Public Works</b>					
<b>Refuse Collection</b>					
Collection Trucks	58	58	58	58	60
<b>Other Public Works</b>					
Storm Sewers (miles)	n/a	n/a	n/a	1,100	1,100
Streets (miles)	2,185	2,222	2,257	2,310	2,314
Streetlights	21,446	21,266	21,745	22,023	22,287
<b>Parks and Recreation</b>					
Park Acreage	2,042	2,042	2,043	2,066	2,066
Parks and Play Areas	65	65	67	64	66
Athletic Fields/Tennis Courts	211	211	211	211	200
Community Centers	7	7	7	7	8
Specialized Centers	4	4	4	4	4
<b>Water</b>					
Water Mains (miles)	761	772	786	795	804
Fire Hydrants	4,358	4,432	4,522	4,608	4,681
<b>Wastewater</b>					
Sanitary Sewers (miles)	968	982	1,003	1,019	1,034
Sewage Pumping Stations	248	248	253	255	259
<b>Schools</b>					
Elementary Schools	28	28	28	28	28
Secondary Schools	16	16	16	16	16
Educational Centers	3	3	3	3	3

**Source:** Various City Departments  
 n/a - Information not available

*Table 23*

<b>Fiscal Year</b>				
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
5	5	5	5	5
193	194	235	203	198
15	15	15	15	15
61	60	60	52	52
1,100	1,100	1,100	1,100	1,100
2,329	2,346	2,354	2,364	2,361
22,634	23,432	23,763	23,874	23,759
2,262	2,262	2,322	2,322	2,322
67	67	70	70	70
199	203	226	226	228
8	8	8	8	8
4	4	4	5	5
818	824	821	828	829
4,823	4,892	4,925	4,993	5,019
1,048	1,053	1,053	1,057	1,060
262	262	263	264	262
28	28	28	28	28
17	17	17	17	17
3	3	2	3	3

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**Chesapeake**  
VIRGINIA

# COMPLIANCE SECTION

**Chesapeake**  
VIRGINIA

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**Chesapeake**  
VIRGINIA



**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2012

*Schedule T-1*

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Agriculture:		
Direct payments:		
Food and Nutrition Service		
Summer Food Service Program for Children	10.559	\$ 105,343
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	2,103,785
Virginia Department of Education:		
School Breakfast Program	10.553	1,649,742
National School Lunch Program	10.555	4,988,063
Summer School Service Program For Children	10.559	181,820
Fresh Fruit and Vegetable Program	10.582	77,532
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	703,432
Food Distribution - commodities value - Detention Home	10.555	3,180
Virginia Department of Forestry:		
Department of Agriculture - Cooperative Forestry Assistance - Urban Forestry Grant	10.664	3,270
		9,816,167
Department of Energy:		
Direct payments:		
Energy Efficiency Conservation Block Grant - American Recovery and Reinvestment Act	81.128	1,186,752
		1,186,752
U.S. Environmental Protection Agency		
Pass-through payments:		
Hampton Roads Clean Cities Corporation - American Recovery and Reinvestment Act	66.039	4,454
		4,454
Department of Housing and Urban Development:		
Direct payments:		
Homeless Prevention and Rapid Rehousing Program - American Recovery and Reinvestment Act	14.257	124,971
Community Development Block Grant Program:		
Program Year 2007	14.218	38
Program Year 2009	14.218	5,234
Program Year 2010	14.218	30,000
Program Year 2011	14.218	258,868
Program Year 2012	14.218	596,599
Section 108 Loan Program - 2010 Program	14.248	166,964
Section 108 Loan Program - 2011 Program	14.248	223,592
CDBG Recovery Program	14.253	6,878
Shelter Plus Renewal Grant	14.238	9,807
HOME Investment Partnerships Program:		
Program Year 2001	14.239	1,074
Program Year 2003	14.239	36
Program Year 2004	14.239	3,995
Program Year 2005	14.239	58,900
Program Year 2006	14.239	103,577
Program Year 2007	14.239	7,195
Program Year 2010	14.239	200
Program Year 2011	14.239	1,158,031
Program Year 2012	14.239	410,876
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization Program	14.228	20,903
Neighborhood Stabilization Program Program Income Allocation	14.228	207,771
		3,395,509
Pass-through payments:		
Virginia Department of Health		
Infant Mortality and Chronic Disease Prevention	93.945	4,841
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	119,855
Block Grants for Prevention and Treatment of Substance Abuse	93.959	759,088
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	50,056
Temporary Assistance for Needy Families	93.558	1,806,513
Refugee and Entrant Assistance - State Administered Program	93.566	3,800
Low Income Home Energy Assistance	93.568	109,241
Payments to States for Child Care Assistance	93.575	899,537
Child Care & Development Fund	93.596	908,833
Chaffee Education and Training Vouchers Program (ETV)	93.599	1,787
Child Welfare Services-State Grants	93.645	4,282
Foster Care-Title IV-E	93.658	1,081,436
Adoption Assistance	93.659	555,789
Social Services Block Grant	93.667	971,124
Independent Living	93.674	21,388
State Children's Insurance Program	93.767	58,224
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,267,196
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	596,539
		9,219,529

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2012

*Schedule T-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
<b>Department of the Interior:</b>		
Direct payments:		
Payment in Lieu of Taxes	15.226	6,238
U.S. Fish and Wildlife Service - Department of the Interior		
Back Bay Grants - 2012	15.649	24,443
Back Bay Grants - 2013	15.649	3,434
Refuge Revenue Sharing	15.226	30,974
		65,089
<b>Department of Justice:</b>		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	75,808
Edward Byrne Justice Assistance Program - American Recovery and Reinvestment Act		
Fiscal Year 2009 - American Recovery and Reinvestment Act	16.804	36,307
Office of Juvenile Justice and Delinquency Prevention - Gang Prevention Grant	16.541	19,281
Pass-through payments:		
Bureau of Justice Assistance:		
Victim Witness Program - American Recovery and Reinvestment Act	16.801	15,922
Juvenile Account Incentive Block Grant		
Fiscal year 2011	16.523	41,182
Edward Byrne Grant Program		
Fiscal Year 2009	16.738	26,926
Fiscal Year 2010	16.738	17,503
Fiscal Year 2011	16.738	26,041
		258,970
<b>Social Security Administration</b>		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	12,400
		12,400
<b>U.S. Department of Transportation:</b>		
Pass-through payments:		
Virginia Department of Transportation:		
Federal Highway Administration - American Recovery and Reinvestment Act		
Dismal Swamp Trail	20.205	6,297
Resurfacing	20.932	23,507
Bridge Surfacing Sealing	20.932	5,763
Federal Highway Administration - Planning and Construction		
Smart Traffic Center Phase 2	20.205	90,967
Smart Traffic Center Phase 3	20.205	106
Poindexter	20.205	29,366
Dismal Swamp Trail	20.205	19,383
BattleField Visitor Center	20.205	846,987
Elbow Road Safety Improvement	20.205	9,887
Traffic Signal Improvement - S. Military Hwy	20.205	47,966
Rt. 104 Steel Bridge	20.205	15,964,322
Safe Roads to School Program	20.205	1,400
Portsmouth Blvd Phase 4	20.205	63,669
Military Hwy. at Baugher Avenue	20.205	2,328
Military Hwy. at State Street	20.205	4,655
VDOT Highway Safety	20.205	17,881
Department of Motor Vehicles - Alcohol Traffic Safety and		
Drunk Driving Prevention Incentive Grants		
Fiscal year 2011	20.607	7,187
Fiscal year 2012	20.607	17,243
		17,158,914
<b>Department of Defense</b>		
Direct payments: Navy		
Open Space Easement Purchase	12.XXX	423,547
Department of Defense Impact Aid	12.558	750,331
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	2,325
		1,176,203

(Continued)

**CITY OF CHESAPEAKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2012

*Schedule T-1, Continued*

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
<b>Department of Education:</b>		
Direct payments:		
Impact Aid	84.041	3,331,944
Pass-through payments:		
Commonwealth of Virginia Department of Behavioral and Development		
2010 Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	6,852
2011 Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	50,018
2012 Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	49,991
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	216,093
Title I, Part D - Program for Neglected & Delinquent Children	84.013	8,238
Title I Grants to Local Educational Agencies	84.010	5,149,874
Special Education - Grants to States	84.027	6,844,530
Special Education - Preschool Grants	84.173	204,726
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,507,872
Vocational Education - Basic Grants to States	84.048	481,196
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	73,604
Title III, Part A - English Language Acquisition Grants	84.365	66,646
Title II, Part D - Enhancing Education Through Technology Program	84.318	23,494
Part C Funds	84.181	179,275
Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,867,156
Special Education Grants to States, Recovery Act	84.391	1,143,103
Special Education - Preschool Grants, Recovery Act	84.392	7,313
State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	13,509,266
Education Jobs Fund	84.410	5,307,538
		40,028,729
<b>Department of Homeland Security:</b>		
Direct payments:		
Assistance to Firefighters	97.044	484,488
Assistance to Firefighters	97.044	2,197
Pass-through payments:		
Virginia Department of Emergency Management:		
Interoperability Emergency Grant	97.001	1,766
Urban Area Security Initiative Grant-2009	97.008	548,785
Urban Area Security Initiative Grant-2010	97.008	70,987
Urban Area Security Initiative Grant-2009	97.008	744,281
Local Emergency Management Planning Grant - 2011	97.042	1,547
Emergency Management Performance Grant	97.042	25,552
Local Emergency Management Planning Grant - 2010	97.042	4,112
Citizens Corp Grant - 2006	97.053	718
Port Security Grant	97.056	159,448
Homeland Security - Pet Shelter Grant	97.067	3,800
VDEM 2010 SHSPG Cache Grant	97.073	279,202
Homeland Security Grant - 2011	97.073	7,800
Local Emergency Management Planning Grant - 2010	97.073	15,765
Haz-Mat Team Equipment, Exercise and Training	97.073	16,250
VDEM Training Grant	97.073	5,999
Hazardous Materials Equipment Grant	97.073	16,845
Emergency Operations Grant	97.073	25,689
FEMA Reimbursement - 2009 Nor'easter	97.036	3,334
FEMA Reimbursement - Hurricane Irene	97.036	86,140
Port Security Grant	97.111	9,200
		2,513,905
<b>Department of Labor:</b>		
Direct payments:		
Workforce Investment Act	17.261	199,121
Pass-through payments:		
Virginia Department of Education:		
WIA - Dislocated Workers	17.278	84,321
		283,442
<b>Corporation for National and Community Service:</b>		
Pass-through payments:		
Virginia Department of Education:		
Learn and Serve America - School and Community-Based Programs	94.004	10,989
		10,989
		\$ 85,131,052

Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

**(1) General**

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

**(2) Basis of Accounting**

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

**(3) Relationship to Financial Statements**

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

General Fund	\$ 150,689
Capital Projects Fund	17,027,052
Public Utilities	652,822
Special Revenue Funds:	
Community Services Fund	1,058,218
Open Space	1,550,000
Virginia Public Assistance Fund	9,587,534
Community Development Fund	2,864,911
Grant Funds	4,739,929
Total primary government	37,631,155
Component unit - Public Schools:	
School Operating Fund	36,747,890
School Food Services Fund	6,897,157
Total component unit - Public Schools	43,645,047
Total federal expenditures from intergovernmental revenue	81,276,202
Other reconciling items	3,854,850
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 85,131,052

(Continued)

Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

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**(4) Subrecipients**

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, Habitat for Humanity, Tidewater Builder's Association, and Our House Families are the subrecipients for federal awards of \$617,417 for the Community Development Block Grant Program. The Chesapeake Redevelopment and Housing Authority received \$938,883 for the HOME Investment Program received from the Department of Housing and Urban Development, and \$207,771 for the Neighborhood Stabilization Program from the Virginia Department of Housing and Community Development. Virginia Supportive Housing received \$805,000 from the HOME Investment Program for the Single Room Occupancy project.

The Planning Council is the subrecipient of \$943,519 related to the Child Care Assistance and Child Care Development Fund received from the Department of Social Services.

**CITY OF CHESAPEAKE**

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings  
Year Ended June 30, 2012

---

**1) Summary of Auditors' Results**Financial Statements:

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

Federal Awards:

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

<u>Name of Program:</u>	<u>CFDA #</u>
Department of Transportation:	
Highway Planning & Construction	20.205
ARRA – Highway Planning & Construction	20.205
Department of Housing and Urban Development	
HOME Investments Partnership Program	14.239
Department of Education:	
Title I	84.010
ARRA – Title I	84.389
ARRA – State Fiscal Stabilization Fund	84.394
ARRA – Education Jobs Fund	84.410

Dollar threshold to distinguish between Types A and B Programs:	<b>\$2,553,932</b>
The City of Chesapeake was qualified as a low risk auditee?	<b>Yes</b>

**CITY OF CHESAPEAKE**

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings  
Year Ended June 30, 2012

---

**2) Findings – Financial Statement Audit**

None

**3) Findings and Questioned Costs – Major Federal Awards**

None

**4) Findings and Questioned Costs – State Compliance**

*2012-1 Social Services*

***Criteria:***

Emails containing Virginia Department of Social Services (VDSS) and client information must be sent via secure means. Emails containing sensitive data that are sent over the Internet must be encrypted.

***Condition:***

While performing our audit procedures on compliance with VDSS' Information Security Policy, our testing disclosed that emails with sensitive information are sent to other agencies without being encrypted.

***Cause:***

Benefit program employees email client case information, including social security numbers, to other State agencies to determine if their clients' have other open cases. Because the contacts at these agencies are approved contacts by the State, Chesapeake Social Services did not believe they were required to separately encrypt these emails.

***Effect:***

Chesapeake Social Services is not in compliance with VDSS Information Security Policy, which could result in unauthorized access to sensitive data.

***Recommendation:***

We recommend Chesapeake Social Services utilize their encryption software for all emails, even to other State agencies, when those emails contain client case information or sensitive information, including social security numbers.

***Management's Response:***

The Fiscal Administrator for Human Services has addressed the use of encryption software by obtaining the encryption training guide from the State. The training guide is currently in testing and we anticipate that staff training sessions will be held in January 2013.

**CITY OF CHESAPEAKE**

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings Year Ended June 30, 2012

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***2012-2 Social Services***

***Criteria:***

Each Local Department of Social Services should document a Business Continuity Plan in compliance with the Virginia Department of Emergency Management's (VDEM) requirements.

***Condition:***

While performing our audit procedures on compliance with a documented Business Continuity Plan, we determined the City of Chesapeake had not updated their plan to conform to VDEM's requirements.

***Cause:***

Chesapeake Social Services was not aware of the new requirements.

***Effect:***

Chesapeake Social Services Business Continuity Plan is not in compliance with VDEM requirements.

***Recommendation:***

We recommend Chesapeake Social Services review the requirements of a Business Continuity Plan as outlined on VDEM's website, and revise their current plan so it is compliant.

***Management's Response:***

The Systems Analyst has obtained the current Business Continuity Plan template from VDEM website and has begun to update the plan to meet and comply with new documentation requirements.

**5) Resolution of Prior Year's Findings**

**None**





**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, business-type activities, individual and aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Chesapeake, Virginia (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2012. Our report includes a reference to 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.

Other auditors audited the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City's financial statements. This report does not include the results of the other 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**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests discovered instances of noncompliance and other matters that are required to be reported in accordance with Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2012-1, and 2012-2.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on the response.

We identified certain other matters that we reported to management of the City in a separate letter dated December 12, 2012.

This report is intended for the information of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekert & Holland, L.L.P.*

Virginia Beach, Virginia  
December 12, 2012



**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Federal Program  
and Internal Control over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Chesapeake, Virginia (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

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, 2012.

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant → Holland, L. L. P.*

Virginia Beach, Virginia  
December 12, 2012

*End of Comprehensive Annual Financial Report  
Of the City of Chesapeake, Virginia  
For the Fiscal Year Ended  
June 30, 2012*

**Chesapeake**  
VIRGINIA