

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2008



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	Jennifer Holmes	Gina Orgon
Bobbie Berger	Emilia Lonigro	Anna Riddlehoover
Dale Craver	Evon Madison	Rhonda Sommer
Donna Foreman	Loretta Mitchell	Nancy Tracy
Pamela Hardesty	John Mundy	Tamara Walters
Donna Hildebrand	Nancy Muse	Bobbie Jo Whitaker

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

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

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INTRODUCTORY SECTION

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Chesapeake
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November 25, 2008

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, 2008, is hereby submitted. 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.

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. Six (6) component units are discretely presented and are reported in two 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.), is 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.

A new component unit this year is the Other Post Employment Benefits Trust Fiduciary Fund where the City will account for the current costs of future benefits that are promised to 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 refuse, water, sewer, and stormwater utility services, parks and recreation, libraries, and construction and maintenance of highways, streets, and other infrastructure. Other services provided include public 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

Chesapeake's economy has cooled but remained relatively steady compared to other areas in the country, primarily because its diversity has shielded it in the past from dramatic shifts in the national or global economies. Retail sales for the City exceeded \$3 billion for the third year but at an increase of only 1.3% over the prior year.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2008, the average unemployment rate was 3.4% in Chesapeake as well as in Virginia, compared to 4.9% in the U.S. The rates for the month of June 2008, however, reflect the recent changes in the economy at 4.1%, 4.2% and 5.5%, respectively.

The City of Chesapeake is home to the largest concentration of the region's foreign businesses, with more than 90 firms representing at least 20 different countries. Nearly 50% of the international firms doing business in Hampton Roads are located in Chesapeake.

More than \$446 million in new private business investment was announced by the Economic Development Department for 2007. The year was one of the most economically diverse in Chesapeake's history. Advanced manufacturing, corporate offices, port related logistics centers, mixed use development, new hotels, strategic redevelopment – all were areas of major expansion for the City. The success in 2007-2008 came by securing companies from Japan, Germany, Denmark and Austria, with several more waiting in the wings from Brazil. Such dynamic global business activity confirms Chesapeake's distinction as a true "City of Nations".

Green building development was a major issue, as both the private and public sectors made significant commitments: Liberty Property Trust built its second LEED certified office building in Chesapeake, and City Hall followed suit with a new “Green Building Initiative” that will ensure all municipal buildings are environmentally friendly.

Significant progress was made throughout the City’s two Tax Increment Financing (TIF) Districts: South Norfolk (SoNo) is targeted to help meet the broad, large scale redevelopment needs of that area, and Greenbrier which promotes implementation for the City’s “preemptive redevelopment” plans for the region’s largest business district. The 2007-2008 fiscal year brought the first tangible results from the City’s commitment. Belharbour Station at SoNo and the Gateway at SoNo are projected to generate more than \$265 million in new private investment within Chesapeake’s urban core. Greenbrier Square, a 70 acre office and commercial development, is opening the first phase of Woodlake Drive’s extension to Battlefield Boulevard.

The hospitality industry continues to play a major role in Chesapeake’s economic success and contributes more than \$250 million to our local economy, according to the Virginia Tourism Corporation. Hotel room demand, supply and room rates in the City all increased slightly over the past year which continued to make a contribution to the success of the industry in the local area.

The 2007-2008 fiscal year includes the following new economic development highlights:

- The Streets of Greenbrier mixed use development was announced with an estimated investment of \$80 million.
- Gateway at SoNo mixed use redevelopment was announced with an estimated investment of \$60 million.
- LTD Management announced their plans for investment of \$40 million in two hotel properties.
- Preferred Freezer brought in 173,000 square feet in cold storage for \$30 million.
- Tidewater Inn & Resorts contributed \$20 million towards the Marriott hotel renovation and rebranding.

The City Council continues to stress actively marketing Chesapeake as the location of choice for domestic and international business projects. The City’s marketing plans include several joint initiatives with regional and state economic development partners to accomplish these goals.

The City of Chesapeake continues to have a sound financial reputation receiving an upgrade to an AA+ bond rating from Standard & Poor’s Corporation and maintaining its Aa2 rating from Moody’s Investors Service.

Major Initiatives

For the Year. City Council serves the citizens by striving to provide efficient City services, quality

education, and balanced and planned development while maintaining a fiscally sound government. Management and City Council continue to work proactively to effectively manage resources and increasing costs.

During fiscal year 2008 the City achieved the following through its capital planning and improvement program:

- Continued the Oscar Smith Middle School replacement project and began the design phase of the Western Branch High School addition project.
- Transportation improvements funding to include the Steel Bridge repair and the Long Bridge replacement project.
- Funding to construct a new police precinct in the Hickory area and design of the jail expansion project.
- Community facility improvements funding to include Washington Drive drainage improvements, Shillelagh Roadside ditch improvement, Camelot outfall drainage improvement and the Partridge/Cloverdale area.

For the Future. Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, availability of land, and good transportation system will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 120,617 in June 2008 per the Virginia Employment Commission, an increase of 25.0% over the period. As we round out the first decade of the second millennium, Chesapeake is experiencing a deceleration of both population growth and residential construction.

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, which averaged 3.2% between 1985 and 1995. The growth rate for 2008 was 1.11%. The overall target for the City is to accommodate an annual population growth of between 1.5% and 2.5% which is considered a reasonable amount of growth that fairly balances the interests of current City residents with future City residents.

One major tool used to manage growth is the City's Comprehensive Plan adopted in March of 2005. The Forward Chesapeake 2026 Comprehensive Plan is a series of documents that establish policies regarding the future development of the City. 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 text 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. Major themes contained in the Plan's policies are growth management, community revitalization, and the maintenance of a high standard for community facilities and services.

On November 8, 2008, the City closed the Jordan Bridge. The 80 year old bridge was the oldest operating lift bridge in the Commonwealth of Virginia. The City determined the bridge would continue to be a safety concern and due to the city-wide transportation needs, a recommendation was made to decommission the bridge. On October 14, 2008, the City Council passed a resolution to close the bridge on November 8, 2008. The bridge will be removed from the waterway within a reasonable timeframe, but the bridge corridor will be preserved to allow opportunity to replace the bridge in the future should funding become available. We believe that this was a proactive step to prevent liability issues associated with infrastructure failures.

Financial Information

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.

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. This 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, 2008 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

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. The City Manager is authorized by City Council to make transfers between funds. 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 carried over to allow for review and are generally reappropriated as part of the following year's budget provided there is availability of funding at year-end.

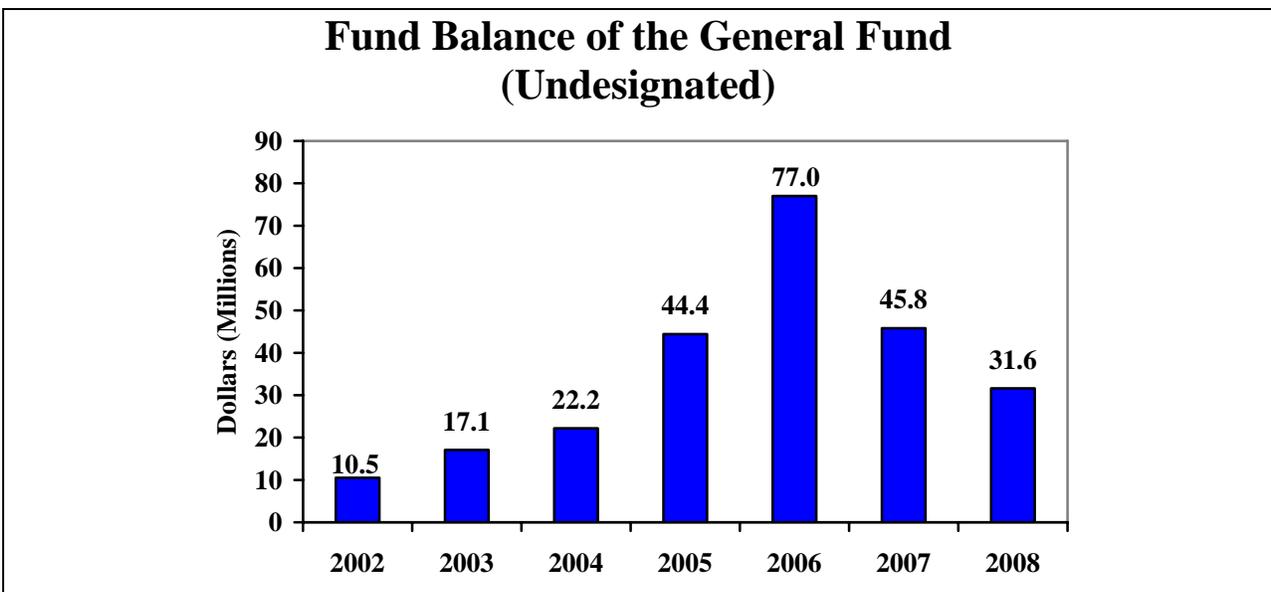
Fund Structure. The City uses individual funds to maintain its financial records. These funds can be grouped into three broad classifications: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** - The City's governmental funds include the General Fund, the Debt Service Fund, the Capital Projects Fund, the Special Revenue Funds, and the Permanent Funds. The General Fund is the main operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Capital Projects Fund is used to account for proceeds from public improvement bond issues, local funding sources, and construction grants and expenditures relating to capital projects. When capital projects are completed, the costs of the improvements are transferred from construction in progress to the appropriate fixed asset category. Special revenue funds have been established for programs that the City needs to track separately. There are thirteen special revenue funds for specific purposes, such as the Grants Fund, Virginia Public Assistance Fund, Interagency Consortium Fund and two Tax Increment Financing Funds. In addition, CSBC, Inc., a blended component unit, is reported as a special revenue fund of the City. Permanent funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for specific purposes.
- **Proprietary Funds** - Proprietary funds are classified as enterprise funds or internal service funds. An enterprise fund is used to report an activity for which fees are charged to external users for goods or services. An internal service fund is used to centralize certain services and then allocate the cost of these services within the government. The City maintains separate enterprise funds for six distinct activities: Public Utilities, Chesapeake Expressway, Stormwater Management, Northwest River Park, Jordan Bridge, and Recreation. The City uses three internal service funds: Information Technology, City Garage, and Self-Insurance.
- **Fiduciary Funds** - The fiduciary funds are used to account for assets held by the City as trustee, as a custodian, or in a fiduciary capacity. In fiscal year 2007-2008 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 43 "Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans". As part of the implementation, the City established the Other Post Employment Benefit (OPEB) Trust Fund for the administration of the City's OPEB plan. The Trust Fund is reported in the City's financial statements as a fiduciary component unit.

Additional information and analysis on the City's fiscal activity can be found in the Management's Discussion and Analysis section of this report.

Fund Balance of General Fund. The General Fund fund balance is an important element in the

financial position of the City. The fund balance is divided into reserved and unreserved portions, and the unreserved fund balance is subdivided into designated and undesignated portions. Reserved fund balance is used to reserve assets that are not available for current spending, and designated fund balance represents planned uses of current resources. 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, 2008 designation for cash flow emergencies totaled \$33,669,622. In fiscal year 1999, City Council established an additional designation of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2008, the designation for operating emergencies is \$28,058,018. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$36,485,945 has been set aside in various reserves and other designations.



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$31,569,781 at June 30, 2008, a decrease of \$14,180,671 from the prior year. The change is primarily due to the use of fund balance for one-time needs to offset unrealized revenues, increase funding for the Risk Management Fund, various technology projects including the replacement of an outdated payroll system, other high priority capital projects including funds for community revitalization and housing initiatives. All uses of the undesignated fund balance are carefully evaluated to ensure that the balance will be sufficient for future needs. A healthy undesignated 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’s Discussion and Analysis section of the report.

Summary of Changes in Undesignated Fund Balance of the General Fund			
(in Millions)			
Undesignated fund balance at June 30, 2007			\$ 45.8
Revenues		\$ 524.2	
Expenditures:			
Current	\$ 247.5		
Other financing uses, net	<u>295.3</u>	(542.8)	
Increase/decrease in reserves and designations		<u>4.4</u>	
Increase/decrease in undesignated fund balance			<u>(14.2)</u>
Undesignated fund balance at June 30, 2008			<u>\$ 31.6</u>

Cash Management. The City charter provides that the elected City Treasurer is the custodian of City Funds. For the fiscal year ended June 30, 2008, cash temporarily idle during the year was invested in the following instruments with an average maturity of 105 days: Virginia banks' certificates of deposit covered by federal depository insurance or collateralized under the Virginia Security for Public Deposits Act (45.44%), U. S. Government and Agencies (11.56%), commercial paper which has obtained ratings no lower than A-1 by Standard & Poor's and no lower than P-1 by Moody's (13.72%), short-term corporate notes of domestic corporations (1.48%), the Local Government Investment Pool "LGIP" (21.06%), Evergreen U.S. Treasury Money Market, TowneBank, STI Classic, Federated US and Commonwealth Cash Reserve Money Market Deposits (2.21%), and the Virginia State Non-Arbitrage Program "SNAP" (4.53%). Investments are held to maturity under usual circumstances.

The State Treasurer manages the LGIP and invests funds according to the Virginia Treasury Board's Investment Guidelines for the Commonwealth's General Fund Monies. These guidelines include third-party delivery of repurchase collateral and other professional safekeeping arrangements. The Virginia Treasury Board established the Virginia SNAP program and provides general supervision over SNAP. Established March 1, 1989, the SNAP program helps local governments comply with certain arbitrage rebate requirements of the Internal Revenue Code and provides for the pooling of bond proceeds for temporary investment pending expenditure. Both the SNAP and the LGIP invest only in money market and fixed income instruments of the type permitted by Virginia statute for use by local governments.

The average earnings yield on the investments for the year was 4.79%, which compares very favorably with the average earnings yield of 3.07% for the U.S. Treasury three-month bill. The City of Chesapeake primary government earned revenues of \$14,000,569 on investments for the year ended June 30, 2008.

The breakdown of the interest earnings is as follows:

Interest on Invested Funds	
Fund Type	Interest Earned
General Fund	\$ 3,996,593
Debt Service Fund	1,312,305
Capital Projects Fund	3,836,099
Special Revenue and Permanent Funds	1,014,708
Enterprise Funds	2,732,252
Internal Service Funds	1,108,612
Total Interest Earned	\$ 14,000,569

The City's Comprehensive Investment Policy has been established according to the Governmental Accounting Standards Board (GASB) guidelines with the goal that investments are invested to ensure safety and repayment of principal, to provide needed liquidity, and to provide the highest investment return with the maximum security. See Note 2 in Notes to Basic Financial Statements for more information on the City's investments.

Self-Insurance. The City has a self-insurance program with excess coverage for general, auto liability, and workers' compensation. As part of this plan, resources are being accumulated in the Self-Insurance Fund to meet potential losses. In addition, various risk control techniques, including support for accident review and investigation of motor vehicle accidents, are ongoing. City management is mindful of the current deficit in the fund and has made efforts towards restoring the fund to a positive fund balance position. See Notes to Basic Financial Statements (Note 15) for further information on the self-insurance program.

Other Information

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 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 (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, 2007. This was the 26th 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.

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

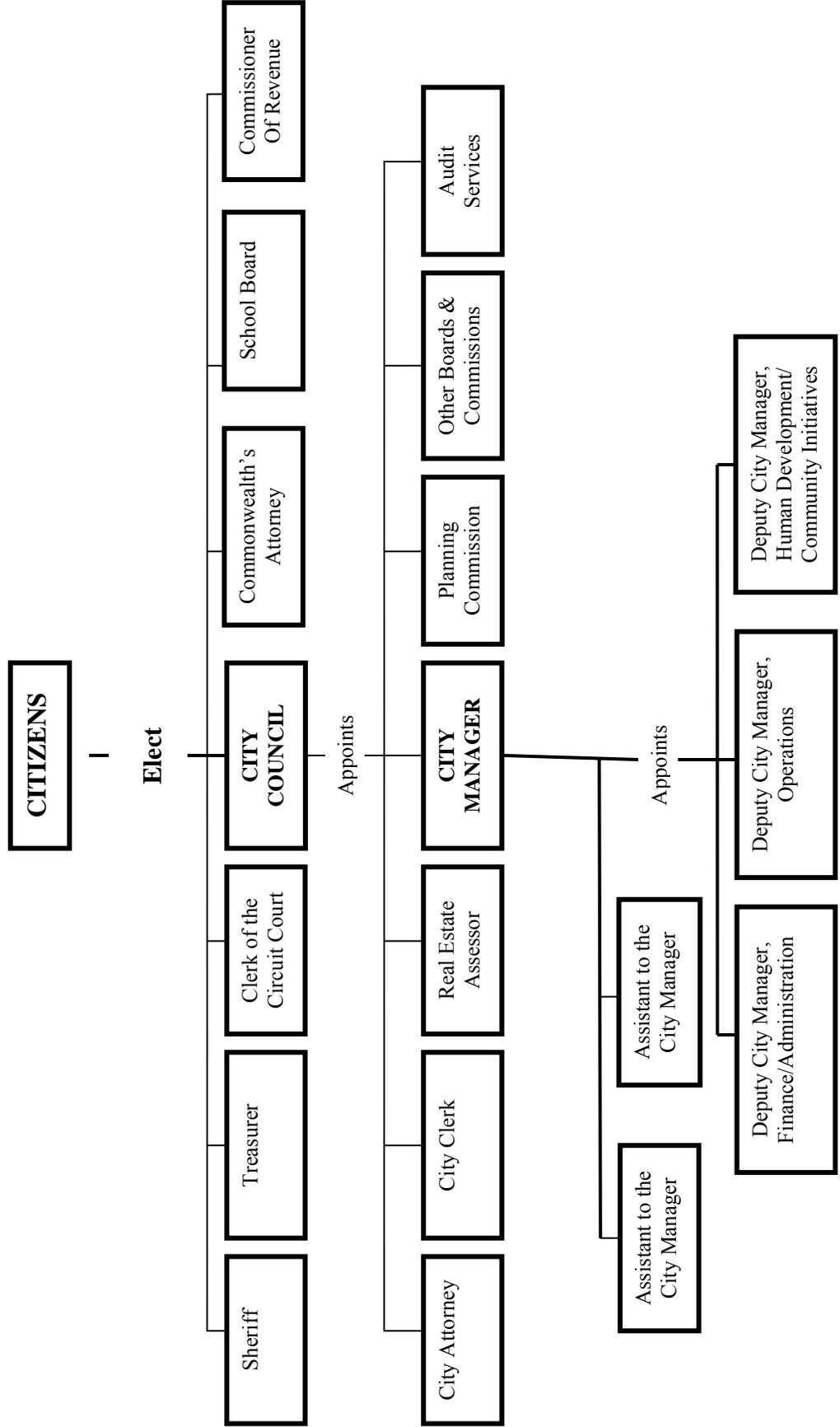
Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. 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,

/S/
William E. Harrell
City Manager

/S/
Nancy C. Tracy
Director of Finance

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2008

City Council

Dalton S. Edge Mayor
Dwight M. Parker Vice Mayor

Dr. Rebecca C. W. Adams
Bryan L. Collins
C. E. “Cliff” Hayes, Jr.
Dr. Alan P. Krasnoff
John M. de Triquet M. D.
Dr. Ella Ward
Patricia Pritchard Willis

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
William E. Harrell 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
Amar Dwarkanath Deputy City Manager, Operations
Dr. Wanda Barnard-Bailey ... Deputy City Manager, Human Development/Community Initiatives
Mary Ann Saunders Assistant to the City Manager
Anna D’Antonio Assistant to the City Manager
Jeffrey H. Powell Assistant to the City Manager
V. Thomas Forehand, Jr. Chief Judge, Circuit Court
S. Bernard Goodwyn, Frederick H. Creekmore
Bruce Kushner and Randall D. Smith Judges, Circuit Court
Colon H. Whitehurst Chief Judge, General District Court
Robert R. Carter, David L. Williams and
Timothy S. Wright 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, Eileen A. Olds Judges, Juvenile and Domestic Relations Court
Lorraine Throckmorton Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence Director of Agriculture
Angelia G. Yancey Budget Director
Joseph J. Scislowicz Executive Director of Community Services Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2008

Maury B. Brickhouse Director of Court Services
Steven C. Wright..... Director of Economic Development
Nancy C. Tracy Director of Finance
R. Stephen Best, Sr. Fire Chief
William M. Broome Director of General Services
Dr. Nancy M. Welch Health Director
Mary J. Bullock..... Director of Human Resources
Doris "Cookie" Palacios Director of Human Services
Peter R. Wallace..... Chief Information Officer
Margaret P. Stillman Director of Libraries and Research Services
Patrick M. Hughes Director of Neighborhood Services
Robert A. Clifton 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
James K. Walski..... Director of Public Utilities
Eric J. Martin Interim Director of Public Works

School Board

Thomas L. Mercer, Sr. Chairman
Michael J. Woods..... Vice Chairman

Jeff C. Bunn
Barbara B. Head
Dr. Shelia G. Hill
Brenda J. Johnson
Jay Leftwich
Harry A. Murphy
Ann R. Wiggins

Other School Board Officials

Dr. W. Randolph Nichols..... Superintendent
Dr. William E. Russell Deputy Superintendent
Dr. Patricia L. Powers..... Assistant Superintendent for Curriculum and Instruction
Victoria Lucente Assistant Superintendent for Budget and Finance
Dr. James T. Roberts..... Assistant Superintendent for Personnel and Support Services
Steven M. Gilbert..... Assistant Superintendent for Operations
Dr. Alan Vaughan Administrative Assistant to Superintendent / Clerk of the Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2008

Supplemental Listing

Kurt Kennedy..... Secretary/Treasurer, Chesapeake Airport Authority
Steven C. Wright..... Executive Director, Chesapeake Port Authority
Steven C. Wright..... Executive Secretary, Economic Development Authority
Brenda Willis Executive Director, Chesapeake Redevelopment and Housing
Doreen Quane Director of Administration and Finance,
Chesapeake Redevelopment and Housing
Gene Payne 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, 2007

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.



Charles S. Cox

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 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, 2008, 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, which represents 3.88% and 0.38%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority, is based on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Schedules of Funding Progress, and the Schedules of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements, budgetary comparison schedules, capital project expenditure schedules, statistical section, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 21, 2008

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

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2008

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, 2008. 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 2008

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2008 by \$1.295 billion (net assets). Of this amount, \$201.5 million is unrestricted.
- The City's total net assets increased by \$47.3 million from the prior year. The governmental net assets increased \$25 million and business-type net assets increased by \$22.3 million. Approximately \$25 million of this increase is attributable to the donation of infrastructure assets to the City, for both governmental and business-type purposes.
- The City implemented Governmental Accounting Standards Board Statement 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) by recording a net OPEB obligation of \$13.6 million on the statement of net assets for 2008. The annual required contribution (ARC) of \$17.8 million was recognized in the statement of activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$283.9 million, a decrease of \$3.2 million from the prior year. Approximately 75.6% or \$214.6 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported a deficiency of revenues and other financing sources under expenditures and other financing uses of \$18.6 million, primarily due to the use of \$21 million of prior years' excess revenues and budgetary excesses to fund one-time operating and capital needs for City and Schools. Approximately \$17.2 million of these funds was transferred out of the General Fund during fiscal year 2008 and thus impacted the current year operations.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$31.6 million, or 7.1% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- Reserved fund balance of the General Fund decreased from \$43.2 million to \$31.3 million for 2008. This primarily resulted from the use of \$14.9 million of the Road Transportation Reserve to fund public works transportation capital projects. Other reserves were increased, such as the Schools Capital Project Reserve.
- The City's total bonded debt decreased by \$26.3 million (approximately 5%) during the current fiscal year. The scheduled repayment of principal of \$35.8 million more than offset the \$9.5 million in new debt issued during fiscal year 2008.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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.
 - 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 final two statements are *other discretely presented component units'* financial statements that provide financial information about the City's discretely presented component units, other than the Chesapeake Public Schools, which are aggregated on the *government-wide financial statements*.

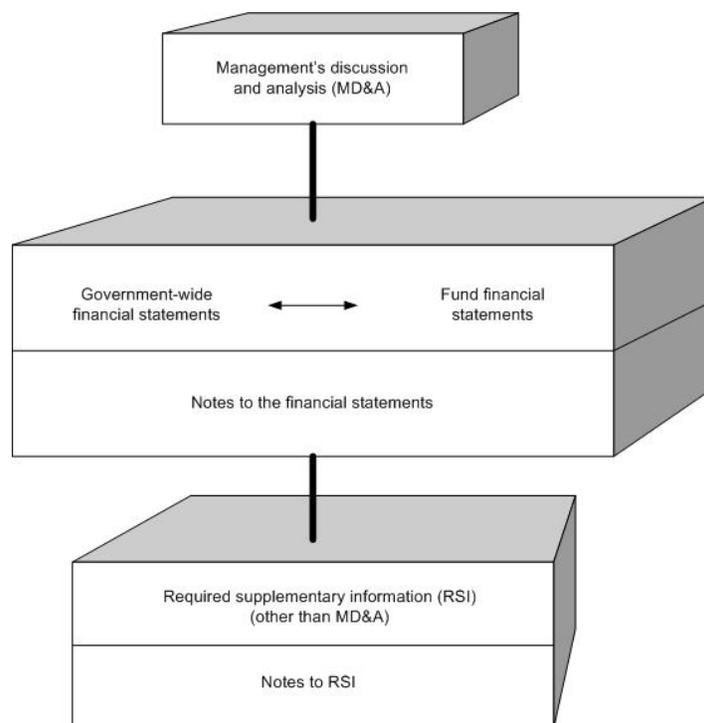
The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Figure A
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 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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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.

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.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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 purpose. 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 implemented Governmental Accounting Standards Board (“GASB”) Statement No. 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* (GASB 43) in fiscal year 2008. GASB 43 establishes financial reporting standards for other postemployment benefits (OPEB) plans that are administered by a trust. The City established the Chesapeake OPEB Finance Board and the OPEB Trust Fund for the administration of the City's OPEB plan. The Trust Fund is reported in the City's financial statements as a fiduciary component unit. The Trust Fund was established for the exclusive benefit of the City's retired employees in providing post-employment health insurance benefits. The City is not required by law or contractual agreement to provide funding for the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. During the fiscal year 2008, the City contributed \$4.2 million to the Trust Fund, with \$1.9 million considered pay-as-you-go.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

The Total Governmental Funds column requires reconciliation because of the different measurement focus from the government-wide statements (current financial resources versus total economic resources) which is reflected on the page following each statement. 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 (bonds and others) 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 \$1.295 billion at the close of fiscal year 2008. By far the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Statement of Net Assets

The following table reflects the condensed Net Assets:

Table 1
Summary of Net Assets
June 30, 2008 and 2007
(in millions)

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 360.3	362.0	92.5	81.0	452.8	443.0
Capital assets	1,099.6	1,090.0	485.5	479.5	1,585.1	1,569.5
Total assets	\$ 1,459.9	1,452.0	578.0	560.5	2,037.9	2,012.5
Liabilities						
Current and other liabilities	\$ 26.6	31.2	12.4	11.7	39.0	42.9
Long-term liabilities	490.1	502.6	213.8	219.3	703.9	721.9
Total liabilities	516.7	533.8	226.2	231.0	742.9	764.8
Net assets						
Invested in capital assets, net of related debt	684.4	666.4	275.0	263.3	959.4	929.7
Restricted net assets	59.2	58.1	74.9	63.7	134.1	121.8
Unrestricted net assets	199.6	193.7	1.9	2.5	201.5	196.2
Total net assets	943.2	918.2	351.8	329.5	1,295.0	1,247.7
Total liabilities and net assets	\$ 1,459.9	1,452.0	578.0	560.5	2,037.9	2,012.5

Approximately 10% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$201.5 million or 16%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the primary government as a whole as well as for its separate governmental and business-type activities. The same was true for fiscal year 2007. Total unrestricted net assets increased by \$5.3 million or 2.7% over the prior year. Total restricted net assets increased \$12.3 million or 10.1%, largely due to bond proceeds restricted for capital projects. Lastly, net assets invested in capital assets, net of related debt, increased \$29.7 million or 3.2%. The City's total net assets increased by \$47.3 million or 3.8% during the fiscal year.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Governmental Activities

Net assets of the City's governmental activities increased by \$25 million, as shown on the Statement of Activities, accounting for 53% of the total growth in net assets of the City. This increase was largely due to \$15.7 million in increased property tax revenues and \$11.2 million in capital grants and contributions. Interest earnings fell 16% or \$2.1 million. Total donated land and infrastructure assets, which include roads, were \$9.2 million, reported in the Public Works function. Expenses increased by 8%, including increases in certain functional areas, primarily public works, public safety and general government. Included in the general government function is \$17.8 million of unfunded retirement health benefits earned by employees in fiscal year 2008 and prior years as part of the City's implementation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Revenues for governmental activities increased 4% over the prior year, with a 5% increase in property tax revenues versus a 12% increase from fiscal year 2006 to 2007.

Business-type Activities

The net assets of the City's business-type activities increased from \$329.5 million to \$351.8 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. A key element of this increase was due to deeded and donated assets from developers in the amount of \$15.8 million. Revenues increased 13.3% for business-type activities due to Public Utility and Stormwater rate increases that went into effect January 1, 2007, with the first full year of revenues in fiscal year 2008. Expenses increased approximately 10%, largely due to stormwater cave-in repairs and filling vacancies that existed at 2007 year end.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Statement of Activities

The following table shows the revenue and expenses of the governmental and business-type activities:

Table 2
Changes in Net Assets
Years Ended June 30, 2008 and 2007
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 22.4	\$ 21.8	72.7	64.2	95.1	86.0
Operating grants and contributions	99.6	91.3	2.6	2.9	102.2	94.2
Capital grants and contributions	11.2	13.8	15.8	13.4	27.0	27.2
General revenues:						
Property taxes	306.5	290.8	-	-	306.5	290.8
Other taxes	124.3	123.2	-	-	124.3	123.2
Unrestricted investment earnings	11.3	13.4	0.1	0.1	11.4	13.5
Other	4.1	3.1	-	-	4.1	3.1
Grants and contributions not restricted to specific programs	31.5	32.2	-	-	31.5	32.2
Total revenues	610.9	589.6	91.2	80.6	702.1	670.2
Expenses						
General government	136.0	118.0	-	-	136.0	118.0
Public safety	93.9	82.6	-	-	93.9	82.6
Public works	52.7	44.2	-	-	52.7	44.2
Parks	7.5	6.7	-	-	7.5	6.7
Public welfare	43.1	40.2	-	-	43.1	40.2
Education	212.5	209.2	-	-	212.5	209.2
Public Utilities	-	-	49.1	45.3	49.1	45.3
Chesapeake Expressway	-	-	9.3	10.1	9.3	10.1
Stormwater Management	-	-	6.2	3.5	6.2	3.5
Depreciation - unallocated	22.3	22.5	-	-	22.3	22.5
Other	-	-	2.2	1.9	2.2	1.9
Interest on long-term debt	20.0	20.5	-	-	20.0	20.5
Total expenses	588.0	543.9	66.8	60.8	654.8	604.7
Excess before transfers	22.9	45.7	24.4	19.8	47.3	65.5
Transfers	2.1	1.3	(2.1)	(1.3)	-	-
Increase in net assets	25.0	47.0	22.3	18.5	47.3	65.5
Net assets - beginning	918.2	871.2	329.5	311.0	1,247.7	1,182.2
Net assets - ending	\$ 943.2	918.2	351.8	329.5	1,295.0	1,247.7

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

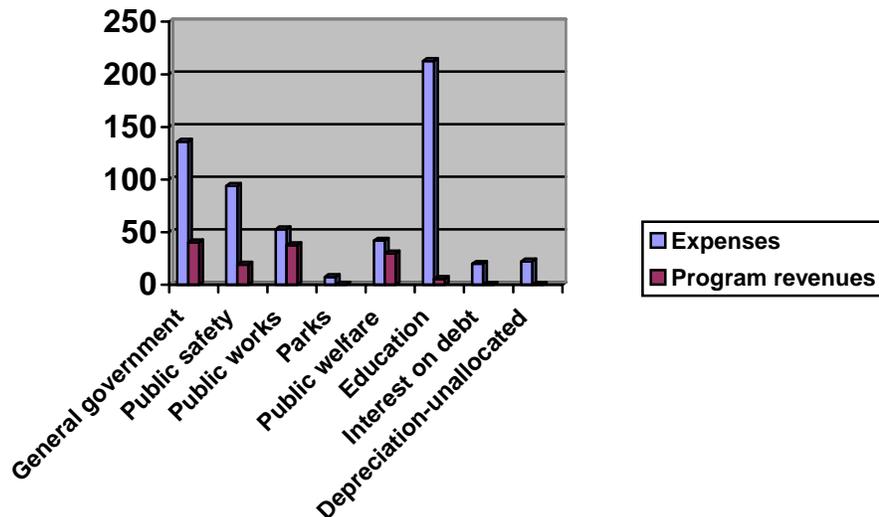
Governmental Activities

The City's total revenues from governmental activities were \$610.9 million for the fiscal year ended June 30, 2008. The largest source (50%) of revenue (\$306.5 million for fiscal year 2008) for the City is property taxes, composed of real estate and personal property taxes. Revenue from property taxes experienced a 5% increase over the prior year, largely due to the 12% increase in the City's assessed real property tax base. This was a smaller increase than the increase between 2006 and 2007. The real estate tax rate for 2007-2008 was \$1.04 per \$100 of assessed value with an additional \$.02 for the Mosquito Control Commission, which was a reduction from the 2006-2007 general rate of \$1.09. The City Council voted to reduce the Mosquito rate from \$.02 to \$.01 per \$100 effective July 1, 2008.

Revenues from other taxes make up 20% of the City's resources and increased 1% over the prior fiscal year, reflecting a slow-down in consumer activity and activity in the real estate market. Approximately 61% of the City's revenue from governmental and business-type activities comes from some type of tax, and 3% comes from fees charged for services in governmental activities.

The City's expenses for governmental activities cover a wide range of services, with 16% or \$93.9 million for fiscal year 2008 related to public safety and 36% or \$212.5 million for fiscal year 2008 for education (including payments to the Public Schools, a component unit). Overall, expenses for governmental activities increased by 8% which includes increased costs for salaries and benefits for all functions, increased costs for waste disposal and the costs associated with recognition of the net OPEB obligation for retiree health benefits.

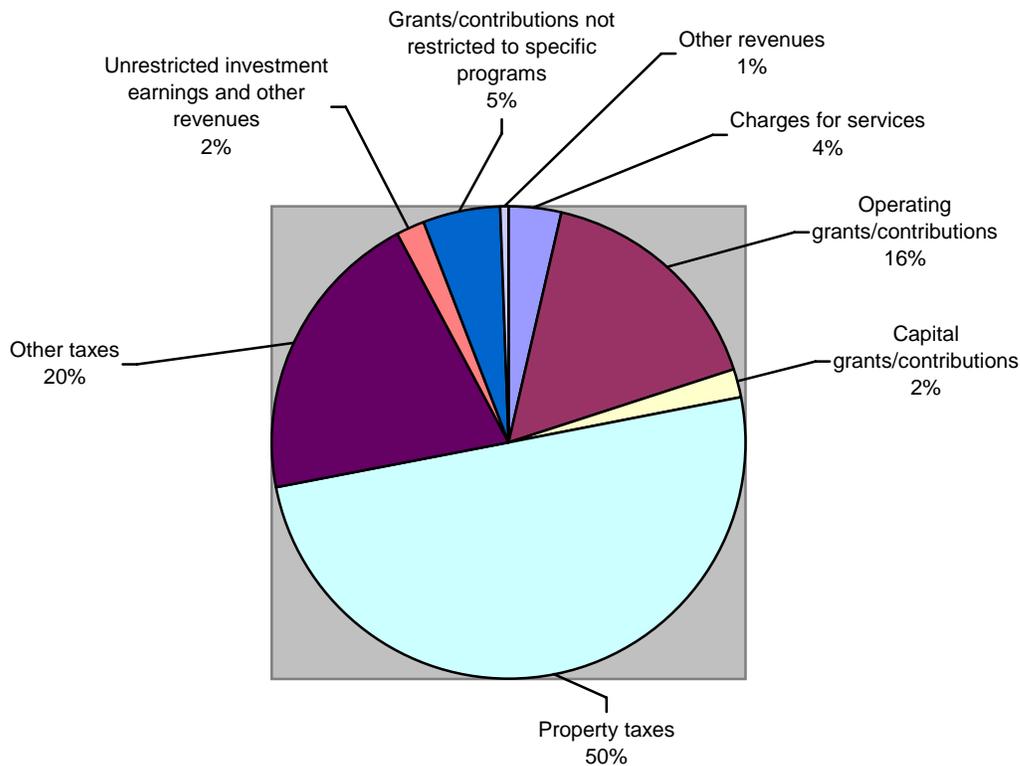
Expenses and Program Revenues – Governmental Activities (in millions) Year Ended June 30, 2008



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Revenues by Source – Governmental Activities – Year Ended June 30, 2008



Business-Type Activities

Net assets for the City's business-type activities increased by \$22.3 million largely as a result of assets deeded over by developers and revenues from fee increases. The increase in net assets accounted for 47% 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 80% of total revenues for business-type activities. The overall net increase in expenses for all business-type activities was 10% which resulted largely from increased costs for salaries and benefits, stormwater cave-in repairs, operating costs at both Lake Gaston and Northwest River water treatment plants, and write-off of delinquent terminated utility accounts.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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, unreserved 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, 2008, the governmental funds reported combined ending fund balances of \$283.9 million, a decrease of \$3.2 million over the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2008:

- \$34 million spent in the Capital Projects Fund to fund infrastructure improvements including Steel Bridge and Wellons-Forehand bridge, completion of Grassfield High School, near completion of Fire Station #3, Tidewater Community College land acquisition and other community facilities throughout the City.
- \$204.6 million contributed by the City in operating and capital funds to finance the Public Schools' operations and capital construction. Additionally, the City paid \$32 million in debt service for the Public Schools.
- \$7.6 million of additional tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- \$30.7 million principal debt retired.
- Cash funding of \$28.7 million in City and Schools capital projects from existing reserves and designations.

Approximately \$215 million of the combined total fund balances constitutes *unreserved fund balance*, which generally is available for spending at the government's discretion. City Council has designated portions of this unreserved fund balance at June 30, 2008 in the following amounts and for the following purposes:

- \$33.7 million for General Fund cash flow emergencies (6% of revenue required by City Charter)
- \$28.1 million for operating emergencies (City Council policy of an additional 5%)
- \$35.6 million for debt service
- \$5.2 million for various other purposes

The remainder of the unreserved fund balance at June 30, 2008, not designated for a specific purpose, includes \$31.6 million in the General Fund, the City's chief operating fund. This amount represents 7.1% of total General Fund expenditures, as a measure of the General Fund's

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

liquidity. Total fund balance of the General Fund decreased by \$18.6 million for fiscal year 2008. During the year, City Council voted to use approximately \$21 million of prior fiscal year 2006-2007 budgetary savings and excess revenues to fund City and Schools capital construction and one-time needs. Included in the City's \$15.8 million of these funds is \$6.5 million funding for phase one replacement of the 35-year-old mainframe payroll system, \$2.55 million appropriation to cover anticipated state and local revenue shortfalls for 2007-2008, \$3.2 million funding for the City's self-insurance fund and other technology projects. The Schools \$5.1 million was used to fund \$4.6 million capital projects including the Schools share of the payroll system replacement, and \$500,000 for textbooks. The effect of this use of fund balance was significantly reduced by department managers' successful efforts to reduce planned spending by \$10.7 million. In addition, the General Fund had a decrease in undesignated fund balance from operations amounting to \$14.2 million. This decrease represents an excess of revenues over expenditures of \$84.6 million, other financing sources (uses) net of (\$103.2) million, and a net decrease in reserves and designations of \$4.4 million.

The General Fund experienced an overall 3.7% growth in revenue. Investment income was down 15% due to a decrease in interest rates as well as lower cash balances available for investment. General property taxes accounted for \$13.5 million in increased tax revenue for the City, with a 4.8% increase over 2007. A 12% growth in real estate assessments helped generate this increased tax revenue. Total revenues from local sources grew by \$17.1 million or 4%. Expenditures increased overall 6.8% from the fiscal year 2007 level. Contributing to this increase were an 11% increase in the public works category, 9% increase in public safety, and a 4% increase in the education category for payments to Chesapeake Public Schools. The increase in the public works category is mainly attributable to increased tipping fees and waste removal fees paid to the Southeastern Public Service Agency (SPSA). The increase in the public safety category is due to salary and overtime expenditures. Payments to Chesapeake Public Schools included additional appropriations from capital reserves and prior year budgetary excess for one-time School capital projects and textbooks. Overall, the increase in total expenditures included higher costs for operation of new and existing facilities, employee compensation and benefits, including funding for other post-employment benefits. City Council also implemented the Virginia Retirement System (VRS) multiplier for public safety sworn employees effective for the 2007 fiscal year, which raised the City's VRS contribution rate from 15.25% of covered payroll to 16.93%.

The Debt Service Fund ended the year with \$36.6 million in total fund balance, a slight decrease of \$296,804 from 2007. The unreserved fund balance is \$35.6 million, which has been designated by City Council for the payment of debt service. The following major transaction was recorded in the Debt Service Fund during the year:

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

- Proceeds plus premium of \$9.5 million School bonds issued through the Virginia Public School Authority (VPSA) were transferred to Chesapeake Public Schools for construction of Oscar Smith Middle School.

The City spent \$34 million in the Capital Projects Fund to fund major capital projects, including City infrastructure improvements, completion of a high school and other community facilities.

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 operations of the enterprise operations.

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year amounted to \$57.3 million. Water and sewer rate increases and connection fee increases went into effect on January 1, 2007, providing the fund with a full year of increased revenues from the new rates. Growth in net assets was \$21.3 million, resulting mainly from the booking of deeded and donated utility improvements from developers in the amount of \$15.8 million. The increase in net assets prior to the impact of this transaction was \$5.5 million. Approximately \$4.2 million was spent on various water and sewer renewal and replacement capital projects.

The Chesapeake Expressway toll road reported operating revenues for fiscal year 2008 totaling \$7.2 million versus \$7.4 million for 2007. Toll revenues and toll transactions were slightly down from 2007, due to the increase in gasoline prices and an expected general decline in toll road traffic. Operating expenses for the year amounted to \$7.2 million, with \$4.6 million from depreciation expense. Net assets decreased by \$2.1 million, with the Chesapeake Expressway Fund covering interest expense of \$2.1 million on the toll road revenue bonds. The first principal payment on the bonds was also paid in the amount of \$385,000. Additionally, the fund made repayments of \$356,392 to the Commonwealth of Virginia for Toll Facility Revolving funds that helped fund the initial construction of the toll road.

The Stormwater Management Fund, an enterprise fund, had \$27.9 million in total net assets at June 30, 2008, up from \$23.9 million in 2007. Income from operations was \$4.8 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.1 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Effective January 1, 2007, City Council approved an increase in stormwater utility fees from \$2.55 to \$5.55 per month per ERU (equivalent residential unit), with subsequent increases for 2008 and 2009.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 427,890,936	427,890,936	411,840,940
Intergovernmental	78,428,072	79,964,886	83,863,938
Other	22,319,527	23,878,625	28,482,736
Total	528,638,535	531,734,447	524,187,614
Expenditures and transfers:			
Expenditures *	254,928,839	258,202,449	247,464,465
Transfers (net)	257,992,733	301,660,917	295,295,087
Total	512,921,572	559,863,366	542,759,552
Change in fund balance	\$ 15,716,963	(28,128,919)	(18,571,938)

*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, 2007.

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$46.9 million (net increase in appropriations and transfers) and include the following major changes:

- Appropriation of \$33.5 million from the capital reserves and General Fund undesignated fund balance from prior year revenues in excess of budget for various capital projects, including major infrastructure and technology needs;
- Appropriation of \$13.2 million from capital reserves and General Fund undesignated fund balance from prior year revenues in excess of budget for textbooks and capital projects for Chesapeake Public Schools;
- Reduction of Schools' planned operational funding from the City's General Fund by \$2.7 million to address anticipated State revenue shortfall;
- Appropriation of \$1.5 million State revenues to fund operations of the Commonwealth's Attorney, Adult Clinic and bridge and roadway maintenance;
- \$605,405 of street light operations revenue contributed by developers to fund electrical services for new street lights;
- \$226,000 of vehicle license fees and DMV late fee revenues to fund City Treasurer operations in collection efforts;
- \$639,300 of overweight citation fee revenue to fund infrastructure repairs and maintenance.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Actual total revenues fell short of the amended budget by \$7.5 million, largely due to lower than expected revenues from personal property taxes and other local taxes. The shortfall in personal property taxes was mainly due to budgeting challenges incorporating the state's Personal Property Tax Relief Act (PPTRA) reimbursements. Personal property tax is originally forecast as a whole, containing both state and local components, and later distributed between the two. The City's PPTRA portion has been locked in by the State, with the taxpayer paying an increasing portion as assessments rise. Prior year forecasts of the taxpayers' current portion of the personal property tax had been conservative, and the 2008 budget overcompensated for these forecasts. Other local taxes, such as recordation taxes, hotel and motel room taxes, business license taxes, restaurant food taxes and local sales tax experienced budget shortfalls due to a general lessening of consumer activity in the local economy. The budget shortfalls in these areas were partially offset by several revenues that were higher than expected. Communications sales tax, which is collected by the State and distributed to the locality, was higher than budget due to the first full budget year of receiving this under the new legislation which took effect in January 2007. Motor vehicle license fees generated excess revenues partly due to late fees collected. Miscellaneous local revenues were higher than expected due to the receipt of \$1.4 million in proffers for schools, libraries and fire. The City received reimbursements from the State for the Personal Property Tax Relief Act in excess of the amount budgeted due to conservative budgeting. Expenditures were significantly below budget by \$10.7 million. The general government category returned 8% of its budget, mainly due to City Council contingencies not required and support of civic and community organizations not used. The City Treasurer returned 14% of her budget. The Fire Department overspent its budget by \$1.4 million, due to overtime required for staffing of fire stations. Other operating departments, such as Public Works which returned 5% of its budget, were conservative in their spending for the fiscal year. Chesapeake Public Schools reverted \$1.9 million of operational savings from City funding back to the City, and \$1.8 million of interest earnings on School's cash balance came back to the City as well. These combined positive and negative budget variances helped to offset the planned use of \$28.1 million of the undesignated fund balance and reserves, resulting in a net \$18.6 million decrease of total fund balance for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to approximately \$1.6 billion (net of accumulated depreciation). This investment includes land, development rights, 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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

assets for the current year was a net increase of 1% or \$15.5 million (an increase of .9% for governmental activities and an increase of 1.2% for business-type activities).

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

- Construction in progress totaled \$67.3 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$14.1 million for business type activities, which includes Public Utility and Stormwater projects.
- City Council appropriated over \$21 million in its 2008 capital budget for infrastructure improvements and other projects within the Greenbrier and South Norfolk Tax Increment Financing (TIF) Districts. The projects will be funded by tax revenues within the districts and TIF revenue bonds.
- The creation of the South Norfolk Belharbour Waterfront Community Development Authority (CDA) to construct infrastructure improvements for the South Norfolk TIF and Belharbour project.

The City's fiscal year 2009 capital budget calls for \$84.2 million for capital projects, including \$10.5 million for Route 17/Dominion Boulevard Steel Bridge and Dominion Boulevard South, \$3.9 million for the Greenbrier and South Norfolk Tax Increment Financing Districts improvements, \$4.8 million for Deep Creek park, \$2.7 million toward the Jail-Phase 2 design, \$10 million for unserved water and sewer areas, and \$23.9 million for completion of Western Branch High School addition. The City plans to issue \$48.8 million in bonds with other funding provided by local and State funds and funds on hand.

City of Chesapeake's Capital Assets (net of accumulated depreciation) June 30, 2008 and 2007 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 284.6	\$ 281.2	22.4	21.8	307.0	303.0
Development rights	1.3	1.3	-	-	1.3	1.3
Construction in progress	67.3	101.0	14.1	12.3	81.4	113.3
Buildings	418.3	366.2	4.6	4.7	422.9	370.9
Improvements other than buildings	14.0	15.5	2.4	2.4	16.4	17.9
Equipment and vehicles	38.4	35.9	2.5	3.0	40.9	38.9
Infrastructure	275.7	288.9	439.5	435.3	715.2	724.2
Total	\$ 1,099.6	1,090.0	485.5	479.5	1,585.1	1,569.5

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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 \$507,336,966. Of this amount, \$486,091,966 comprises debt backed by the full faith and credit of the City and \$21,245,000 is debt secured by revenues of the Chesapeake Expressway Fund.

City of Chesapeake's Outstanding Debt General Obligation Bonds, Revenue Bonds, Literary Loans and Installment Purchase Agreement June 30, 2008 and 2007 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 359.9	\$ 380.6	120.8	125.5	480.7	506.1
Revenue bonds	-	-	21.2	21.6	21.2	21.6
Literary loans	4.1	4.6	-	-	4.1	4.6
Installment Purchase Agreement	1.3	1.3	-	-	1.3	1.3
Total	\$ 365.3	386.5	142.0	147.1	507.3	533.6

Chesapeake's total bonded debt decreased by \$26.3 million during the fiscal year. New debt issued, in the amount of \$9.5 million, was more than offset by budgeted debt principal repayments amounting to \$35.8 million. Principal outstanding on lease revenue bonds backed by the City's general obligation pledge in the amount of \$4.5 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, 2008. This debt instrument was used to finance the City's purchase of development rights under the Open Space and Agricultural Preservation (OSAP) program, in which the landowner will be paid interest on a semi-annual basis for a period of years until the actual purchase takes place.

In fiscal year 2008, the City received an upgraded rating of AA+ (from AA) from Standard & Poor's Corporation on existing general obligation bonds and was assigned the same AA+ rating on new tax increment bonds issued in fiscal year 2009. Under Moody's Investors Service, the City maintains an Aa2 rating. Chesapeake Expressway toll road revenue bonds are rated Baa1 by Moody's.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

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 \$2,474,011,641 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 2008 for the City of Chesapeake is 3.4%, which is slightly up from the 3.2% in 2007. This compares to the state's average unemployment rate of 3.4% and the average national rate of 4.9% for the same time period.
- Chesapeake's annual population growth rate was 1.11% between 2007 and 2008, which was a smaller increase than the 1.46% experienced between 2006 and 2007. This is a decrease also over the 1.4% average annual growth rate that has occurred over the past decade.
- The 12% growth in the City's tax base from 2007 to 2008, and the resultant effect on the Chesapeake homeowner, was partially offset by the reduction of the City's Mosquito Control Fund real estate tax rate from \$.02 to \$.01, effective July 1, 2008.
- The effects of worsening national, state and local economic conditions, evidenced locally by reduced real estate transactions, home values, construction permits and vehicle registrations, prompted a focus on core service delivery for the next three to five years. The City's real estate tax base increased 3% for 2009 versus 12% for 2008.
- To help address the identified School and City capital requirements, funds continue to be reserved in the General Fund for Schools Future Capital Projects (School Capital Reserve) and City Future Capital Projects (City Capital Reserve), to provide resources for future debt service and cash funding for projects.
- Approved rate increases for the Stormwater and Public Utility funds continue to provide resources for critical maintenance and operations in these areas. The Stormwater rates were effective January 2007 and January 2008.

All of these factors were considered in preparing Chesapeake's budget for the 2009 fiscal year. During the current fiscal year, undesignated fund balance in the General Fund decreased from \$45.8 million to \$31.6 million. The fiscal year 2009 operating budget includes a planned use of undesignated General Fund fund balance of \$1.3 million. The budget provides for approximately \$20.1 million funding for the City and Schools capital reserves ("lock boxes") mentioned above. The general real estate tax rate was unchanged at \$1.04 per \$100 value. The mosquito real estate tax rate was reduced from \$0.02 to \$0.01.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

IMPACT OF NEW ACCOUNTING PRONOUNCEMENT

A recently implemented accounting standard, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires state and local governments to account for and report their costs associated with Other Post employment (non-pension) Employee Benefits ("OPEB"), primarily for retired employee healthcare benefits. GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, annual OPEB costs were reported as an expense on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. GASB 45 requires that state and local governments adopt actuarial methodologies to determine annual OPEB costs. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. GASB 45 requires disclosure of the annual OPEB costs, not actual funding of the costs. Under GASB 45, based on an actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government employer. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a government employer contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements. GASB 45 does not require that the unfunded liabilities actually be funded, only that employers account for this unfunded accrued liability and compliance with reporting the ARC. Actuarial valuations will be required every 2 years for each government employer including the City. The City engaged a consultant to assist in estimating its costs and actuarial unfunded OPEB liabilities for all beneficiaries, including retirees of the City based on existing plan benefits and certain assumptions. These assumptions include: (i) discount rates of 4.0% and 7.5%, (ii) 30 year amortization period, (iii) various increases in medical trend rates from 10% in year one decreasing to 5% in year ten and thereafter, (iv) 80% of employees are married with males three (3) years older than females, (v) a per-retiree cost of \$7,570 and (vi) demographic assumptions as to mortality, disability, turnover and retirement. The January 2008 analysis provided estimates for the actuarial OPEB liability which ranges from \$82,400,000 to \$140,200,000 and the ARC which ranges from \$12,000,000 to \$17,800,000. At June 30, 2008, the City recorded its \$17.8 million ARC at the lower 4% discount rate for the year of implementation because the ARC is being partially funded over a five-year phase-in approach. As the City moves toward that goal, it will be using a blended discount rate as appropriate. Prior to year end, the City Council approved and created a financing plan, via an OPEB Trust Fund and appointment of a Trust Board for oversight, for the purpose of administering and accumulating assets to fund the OPEB benefits. As for the fiscal year 2008, the City deposited \$2,293,548 into the Trust for OPEB.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year Ended June 30, 2008

Additionally, as part of the fiscal year 2009 adopted budget, City Council increased its funding for OPEB by appropriating \$4,493,548 to the City's OPEB Trust fund and depositing the monies into the Trust by June 30, 2009. Fiscal year 2009 will be the second year of its five-year commitment to fund these benefits.

The Schools engaged a consultant to assist in estimating its costs and actuarial unfunded OPEB liabilities for all beneficiaries, including retirees of the Schools based on existing plan benefits and certain assumptions. These assumptions include: (i) a discount rate of 4.0%, (ii) 30 year amortization period, (iii) various increases in medical trend rates from 11% in year one decreasing to 5.0% in year thirteen and thereafter, (iv) 70% of employees are married with males three (3) years older than females, (v) demographic assumptions as to mortality, disability, turnover and retirement, (vi) upon reaching the age of 65, all retirees will participate in Medicare Parts A and B, and (vii) all active employees and retirees currently opting out of health insurance coverage are assumed to continue this election. The July 2006 actuarial valuation provides an estimate for the actuarial OPEB liability of approximately \$341,900,000 and an ARC of approximately \$44,900,000. This actuarial valuation is subject to further review and adjustment based in part on further examination of the relevant assumptions, funding approaches and measures which the Schools may consider to manage plan benefits, address Medicare Part D alternatives, and ongoing changes in health care costs and the delivery of health care services in subsequent fiscal years. The Schools expect that as this process continues, estimates of its actuarial unfunded OPEB liability may vary substantially based in part on costs and assumptions used over which the Schools may have limited or no control. Additionally, the School Board voted to reduce benefits for employees hired after June 30, 2008. From time to time, the Schools may consider the legal and economic feasibility of financing all or a portion of the annual OPEB cost and liabilities, as well as available options for managing plan benefits; however, the Schools have not yet adopted any financing plan for its OPEB liabilities. Prior to year end, the School Board voted to join the Virginia Municipal League/Virginia Association of Counties (VML/VAcO) pooled trust, as a financing plan for its annual OPEB costs and liabilities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



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Chesapeake
VIRGINIA

Government-Wide Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Schedule A

Statement of Net Assets
June 30, 2008

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 192,485,502	24,226,224	216,711,726	38,778,137	8,259,896
Receivables, net of allowance for uncollectible amounts (note 3)	78,078,682	18,983,720	97,062,402	14,029,298	27,719,334
Due from component units, net of allowance for uncollectible amounts (note 7)	439,100	-	439,100	-	-
Internal balances (note 1)	1,078,014	(1,078,014)	-	-	-
Inventories	418,454	579,270	997,724	902,873	7,176,945
Prepaid expenses	860,219	-	860,219	-	4,500
Restricted assets (note 2):					
Cash and temporary investments with trustee	266	1,255,537	1,255,803	1,647,558	-
Cash restricted for debt service	-	559,904	559,904	-	-
Cash restricted for debt service with trustee	-	3,677,067	3,677,067	-	-
Cash with State Set-Aside (note 6)	922,849	-	922,849	-	-
Capital construction:					
Cash and temporary investments	77,680,735	40,360,040	118,040,775	30,337,921	-
Cash and temporary investments with trustee	6,733,545	3,161,323	9,894,868	-	-
Investment - zero coupon bond	466,814	-	466,814	-	-
Capital Assets (notes 4, 6, and 9):					
Land	284,551,017	22,367,776	306,918,793	16,846,470	1,494,190
Construction in progress	67,255,839	14,146,148	81,401,987	37,651,353	-
Developmental rights	1,342,284	-	1,342,284	-	-
Buildings	585,062,064	5,493,339	590,555,403	36,769,878	3,407,908
Improvements other than buildings	25,050,303	2,913,803	27,964,106	5,604,150	16,479,383
Equipment and vehicles	91,784,419	9,286,214	101,070,633	69,996,474	1,366,563
Infrastructure	1,037,095,716	605,658,122	1,642,753,838	-	-
Accumulated depreciation	(992,565,047)	(174,391,524)	(1,166,956,571)	(48,128,840)	(9,052,076)
Other assets	1,143,415	827,492	1,970,907	-	250,169
Total assets	\$ 1,459,884,190	578,026,441	2,037,910,631	204,435,272	57,106,812
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 25,918,266	5,695,908	31,614,174	41,645,412	424,202
Deferred revenues	702,002	6,661,074	7,363,076	-	8,642
Due to primary government (note 7)	-	-	-	-	2,702,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	55,636,954	6,759,140	62,396,094	8,126,361	3,243,712
Due in more than one year	434,476,978	207,043,688	641,520,666	82,573,595	24,776,049
Total liabilities	516,734,200	226,159,810	742,894,010	132,345,368	31,155,207
Net Assets					
Invested in capital assets, net of related debt	684,361,590	275,037,856	959,399,446	108,202,223	16,659,623
Restricted for:					
Capital projects	8,353,966	2,919,414	11,273,380	23,851,420	-
Debt service	6,836,388	4,995,386	11,831,774	-	-
Other purposes:					
Expendable	44,031,261	66,957,564	110,988,825	-	2,010,154
Nonexpendable	12,795	-	12,795	-	-
Unrestricted (deficit)	199,553,990	1,956,411	201,510,401	(59,963,739)	7,281,828
Total net assets	943,149,990	351,866,631	1,295,016,621	72,089,904	25,951,605
Total liabilities and net assets	\$ 1,459,884,190	578,026,441	2,037,910,631	204,435,272	57,106,812

CITY OF CHESAPEAKE, VIRGINIA

Schedule B

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Units
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 135,964,547	11,413,581	28,639,117	387,634	(95,524,215)	-	(95,524,215)	-
Public safety	93,861,996	6,025,679	13,198,175	115,871	(74,522,271)	-	(74,522,271)	-
Public works	52,669,486	1,460,197	26,619,131	9,571,025	(15,019,133)	-	(15,019,133)	-
Parks	7,553,891	79,588	243,000	-	(7,231,303)	-	(7,231,303)	-
Public welfare	43,104,880	3,466,956	26,427,772	-	(13,210,152)	-	(13,210,152)	-
Education	212,504,699	-	4,456,580	1,144,840	(206,903,279)	-	(206,903,279)	-
Interest on long term debt	20,048,717	-	-	-	(20,048,717)	-	(20,048,717)	-
Depreciation and amortization - net unallocated portion (note 4)	22,321,802	-	-	-	(22,321,802)	-	(22,321,802)	-
Total governmental activities	\$ 888,030,018	22,446,001	99,583,775	11,219,370	(454,780,872)	-	(454,780,872)	-
Business-type activities:								
Public Utilities	49,066,651	52,591,554	1,888,976	15,845,647	-	21,259,526	21,259,526	-
Chesapeake Expressway	9,353,126	7,217,160	356,565	-	(1,779,401)	-	(1,779,401)	-
Stormwater Management	6,200,482	10,580,469	345,717	-	4,725,704	-	4,725,704	-
Northwest River Park	114,018	108,187	-	-	(5,831)	-	(5,831)	-
Jordan Bridge	1,368,308	1,501,230	-	-	132,922	-	132,922	-
Recreation	681,384	716,131	-	-	34,747	-	34,747	-
Total business-type activities	\$ 66,783,969	72,714,731	2,591,258	15,845,647	24,367,667	-	24,367,667	-
Total primary government	\$ 654,813,987	95,160,732	102,175,033	27,065,017	(454,780,872)	-	(430,413,205)	-
COMPONENT UNITS								
Public Schools	\$ 495,669,077	8,227,885	75,373,793	1,907,684	-	-	(410,159,715)	-
Chesapeake Mosquito Control Commission	4,595,989	-	6,577,386	-	-	-	-	1,981,397
Economic Development Authority	3,529,822	-	3,382,262	-	-	-	-	(147,560)
Chesapeake Port Authority	15,404	-	13,969	-	-	-	-	(1,435)
Chesapeake Airport Authority	1,295,891	391,022	1,414,761	-	-	-	-	509,892
Elizabeth River Properties of Chesapeake, Inc.	70,361	64,151	1,028,296	-	-	-	-	1,022,086
Total component units	\$ 505,176,544	8,683,088	87,990,467	1,907,684	-	-	(410,159,715)	3,364,380
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 306,455,101		306,455,101	
Local sales and use taxes					35,091,242		35,091,242	
Business license taxes					24,381,697		24,381,697	
Communications sales tax					13,647,798		13,647,798	
Consumer utility taxes					9,908,840		9,908,840	
Other taxes					41,183,079		41,183,079	
Payment from City					-		-	204,566,937
Grants and contributions not restricted to specific programs					31,527,350		31,527,350	170,014,139
Unrestricted investment earnings					11,268,317		11,268,317	4,065,837
Miscellaneous					4,103,726		4,103,726	2,747,274
Transfers					2,143,668		(2,143,668)	-
Total general revenues and transfers					\$ 479,710,818		477,708,144	381,394,187
Change in net assets					24,929,946		22,364,993	(28,765,528)
Net assets - beginning					918,220,044		329,501,638	1,247,721,682
Net assets - ending					\$ 943,149,990		351,866,631	1,295,016,621
							72,089,904	25,951,605

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, 2008

		General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and temporary investments (note 2)	\$	97,892,665	35,919,751	-	30,222,034	164,034,450
Intergovernmental revenues due from (note 3):						
Commonwealth of Virginia:						
Local sales tax		2,853,934	-	-	-	2,853,934
State categorical aid		1,845,770	-	-	-	1,845,770
Personal property tax relief act		28,590,001	-	-	-	28,590,001
Other		151,223	-	38,070	1,948,106	2,137,399
Federal government		69,963	-	2,108,008	4,842,976	7,020,947
Receivables (note 3):						
Property taxes		24,871,505	-	-	-	24,871,505
Accounts receivable		3,093,040	-	18,610	1,264,435	4,376,085
Utility taxes		1,135,697	-	-	-	1,135,697
Interest		652,945	238,581	67,312	832	959,670
Fines		209,788	-	-	-	209,788
Ambulance fees		3,687,246	-	-	-	3,687,246
Restaurant and food tax		1,718,011	-	-	-	1,718,011
Other		2,977,690	-	-	286,834	3,264,524
Allowance for uncollectible amounts		(4,969,479)	-	-	-	(4,969,479)
Due from other funds (note 8)		108,769	190,325	-	1,664,649	1,963,743
Restricted assets (note 2):						
Cash and temporary investments with trustee		266	-	-	-	266
Cash with state set-aside (note 6)		922,849	-	-	-	922,849
Capital contruction:						
Cash and temporary investments		-	-	77,680,735	-	77,680,735
Cash and temporary investments with trustee		-	-	6,733,545	-	6,733,545
Investment		-	-	-	466,814	466,814
Advances to component units (note 7):						
Economic Development Authority		1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority		185,600	253,500	-	-	439,100
Chesapeake Port Authority		944,407	-	-	-	944,407
Allowance for doubtful accounts		(2,263,502)	-	-	-	(2,263,502)
Total assets	\$	165,997,483	36,602,157	86,646,280	40,696,680	329,942,600

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 4,201,590	3,112	-	3,590,222	7,794,924
Deposits (note 3)	2,971,181	-	-	82,435	3,053,616
Accrued expenditures (note 3)	5,183,499	-	-	56,449	5,239,948
Deferred revenues (note 5)	23,857,847	-	-	375,847	24,233,694
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	3,726,104	-	3,726,104
Due to other funds (note 8)	-	-	1,854,974	108,769	1,963,743
Total liabilities	36,214,117	3,112	5,581,078	4,213,722	46,012,029
Fund Balances					
Reserved (note 12):					
Expendable	31,281,093	1,043,508	36,452,463	508,036	69,285,100
Unexpendable	-	-	-	12,795	12,795
Unreserved:					
Designated for debt service	-	35,555,537	-	-	35,555,537
Designated for cash flow emergencies (note 1)	33,669,622	-	-	-	33,669,622
Designated for operating emergencies (note 1)	28,058,018	-	-	-	28,058,018
Designated - General Fund	5,204,852	-	-	-	5,204,852
Designated - Special Revenue Funds	-	-	-	851,749	851,749
Undesignated	31,569,781	-	44,612,739	-	76,182,520
Undesignated - Special Revenue Funds	-	-	-	34,948,104	34,948,104
Undesignated - Permanent Funds	-	-	-	162,274	162,274
Total fund balances	129,783,366	36,599,045	81,065,202	36,482,958	283,930,571
Total liabilities and fund balances	\$ 165,997,483	36,602,157	86,646,280	40,696,680	329,942,600

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2008

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 \$ 283,930,571

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 \$32,460,713 associated with the internal service funds as indicated below.

Capital assets 1,067,115,882

Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets. 1,143,414

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. 23,531,692

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 \$1,078,014 as noted on Schedule E.

Capital assets	32,460,713
Long-term debt	(35,143,392)
Other assets and liabilities	27,522,921

Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds. (5,123,950)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total long-term obligations for governmental activities as reported in footnote 6 to the financial statements also include long-term obligations of \$35,143,392 associated with the internal service funds as indicated above.

Long-term debt related to assets	(422,954,987)
Long-term debt not related to assets	(454,970,540)

Net assets of governmental activities **\$ 943,149,990**

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

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 296,131,657	-	-	7,620,814	303,752,471
Other local taxes	115,709,283	-	-	2,874,981	118,584,264
Licenses, permits, and fees	8,320,450	-	-	-	8,320,450
Fines and forfeitures	3,571,138	-	-	-	3,571,138
Investment income	3,996,593	1,312,305	3,836,099	1,014,708	10,159,705
Revenues from use of property	348,258	115,765	-	357,948	821,971
Charges for services	9,372,372	-	-	5,984,217	15,356,589
Miscellaneous local revenues	2,313,767	-	18,610	246,668	2,579,045
Recovered costs	560,158	-	(2,519)	1,894,692	2,452,331
Program income	-	-	-	140,431	140,431
Revenues from local developers	-	-	1,088,464	-	1,088,464
Intergovernmental revenues:					
Commonwealth of Virginia	83,658,664	216,439	570,309	21,758,689	106,204,101
Federal government	205,274	-	3,691,166	15,750,047	19,646,487
Mosquito Control Commission	300,000	-	-	-	300,000
Chesapeake Public Schools	1,819,878	2,636,702	-	-	4,456,580
Total revenues	526,307,492	4,281,211	9,202,129	57,643,195	597,434,027
EXPENDITURES					
Current:					
General government	100,846,863	-	-	13,855,131	114,701,994
Public safety	83,475,371	-	-	8,063,349	91,538,720
Public works	52,617,669	-	-	332,807	52,950,476
Parks	7,535,922	-	-	291,984	7,827,906
Public welfare	-	-	-	41,520,684	41,520,684
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	1,040,243	1,040,243
Education - Payments to Public Schools	194,183,814	10,003,048	380,075	-	204,566,937
Capital outlay	748,655	-	33,991,774	2,925,107	37,665,536
Debt service	2,239,985	50,592,508	-	715,378	53,547,871
Total expenditures	441,648,279	60,595,556	34,371,849	68,744,683	605,360,367
Excess (deficiency) of revenues over (under) expenditures	\$ 84,659,213	(56,314,345)	(25,169,720)	(11,101,488)	(7,926,340)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES(USES)					
Transfers from other funds (note 8)	\$ 2,503,571	46,014,493	37,081,825	26,615,204	112,215,093
Transfers to other funds (note 8)	(105,734,722)	-	(3,673,237)	(8,105,622)	(117,513,581)
VPSA bonds proceeds (note 6)	-	9,490,000	-	-	9,490,000
Premiums on VPSA bonds (note 6)	-	513,048	-	-	513,048
Total other financing sources (uses)	(103,231,151)	56,017,541	33,408,588	18,509,582	4,704,560
Net change in fund balance	(18,571,938)	(296,804)	8,238,868	7,408,094	(3,221,780)
Fund balance - beginning	148,355,304	36,895,849	72,826,334	29,074,864	287,152,351
Fund balance - ending	\$ 129,783,366	36,599,045	81,065,202	36,482,958	283,930,571

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

**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 \$ (3,221,780)

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

Depreciation expense	(38,571,047)
Capital outlay expenditures	37,641,575
Donated assets	9,571,025
Noncapitalizable assets related to closed projects	(1,945,912)
Loss on disposal	(406)
	6,695,235

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. 2,702,630

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)	(9,820,521)
Principal repayments	36,401,283
	26,580,762

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	(35,298)
Compensated absences	(1,102,356)
Net pension obligation	(2,268)
Net other post employment benefit obligation	(13,571,937)
	(14,711,859)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of certain activities of the internal service funds are reported with governmental activities. 6,884,958

Change in net assets of governmental activities \$ 24,929,946

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

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.

Other Enterprise Funds – Include Northwest River Park, Jordan Bridge, and Recreation Funds.

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



CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2008

Schedule E

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and temporary investments	\$ 16,767,440	688,690	3,482,031	3,288,063	24,226,224	28,451,052
Receivables (note 3):						
Accounts	11,861,280	254,765	7,491,933	-	19,607,978	270,950
Interest	266,104	123,542	23,160	15,542	428,348	106,634
Allowance for uncollectible amounts	(983,436)	-	(69,170)	-	(1,052,606)	-
Inventory of materials and supplies	569,454	-	-	9,816	579,270	418,454
Prepaid expenses	-	-	-	-	-	860,219
Total current assets	28,480,842	1,066,997	10,927,954	3,313,421	43,789,214	30,107,309
Noncurrent assets:						
Restricted assets:						
Cash and temporary investments with trustee	-	1,255,537	-	-	1,255,537	-
Cash restricted for debt service	559,904	-	-	-	559,904	-
Cash restricted for debt service with trustee	-	3,677,067	-	-	3,677,067	-
Capital construction:						
Cash and temporary investments	32,944,982	64,943	7,350,115	-	40,360,040	-
Cash and temporary investments with trustee	-	3,161,323	-	-	3,161,323	-
Total restricted assets	33,504,886	8,158,870	7,350,115	-	49,013,871	-
Capital assets (note 4):						
Land	10,514,878	11,105,618	363,586	383,694	22,367,776	-
Construction in progress	7,503,804	-	6,642,344	-	14,146,148	2,090,767
Buildings	73,598	5,389,295	-	30,446	5,493,339	157,949
Improvements other than buildings	2,840,010	-	-	73,793	2,913,803	398,303
Equipment and vehicles	2,931,381	5,375,320	114,235	865,278	9,286,214	71,497,903
Infrastructure	507,151,075	82,355,685	10,950,634	5,200,728	605,658,122	-
Less accumulated depreciation	(136,599,346)	(32,009,457)	(1,456,134)	(4,326,587)	(174,391,524)	(41,684,209)
Total capital assets, net of accumulated depreciation	394,415,400	72,216,461	16,614,665	2,227,352	485,473,878	32,460,713
Other assets	676,044	151,448	-	-	827,492	-
Total noncurrent assets	428,596,330	80,526,779	23,964,780	2,227,352	535,315,241	32,460,713
Total assets	\$ 457,077,172	81,593,776	34,892,734	5,540,773	579,104,455	62,568,022

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2008

Schedule E, Continued

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
LIABILITIES AND NET ASSETS						
Liabilities						
Current liabilities:						
Accounts payable (note 3)	\$ 1,862,607	35,827	393,065	50,906	2,342,405	945,474
Accrued expenses and other liabilities (note 3)	507,130	979,748	25,761	24,432	1,537,071	34,249
Deposits (note 3)	940,145	-	-	-	940,145	-
Deferred revenues (note 5)	10,574	-	6,220,652	133,785	6,365,011	-
Construction projects payable (note 3)	636,201	-	240,086	-	876,287	-
Current portion of long-term debt (note 6)	4,849,896	1,302,844	-	-	6,152,740	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	-	2,763,506
Current portion of notes payable (note 6)	115,000	-	-	-	115,000	-
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	367,465	35,774	59,094	29,067	491,400	210,090
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	6,361,310
Total current liabilities	9,289,018	2,354,193	6,938,658	238,190	18,820,059	10,314,629
Noncurrent liabilities:						
Deferred revenues (note 5)	296,063	-	-	-	296,063	-
General obligation bonds (note 6)	118,352,807	-	-	-	118,352,807	-
Revenue bonds (note 6)	-	20,625,391	-	-	20,625,391	-
Due to Commonwealth of Virginia (note 6)	-	67,260,641	-	-	67,260,641	-
Obligations under capital leases (note 6)	-	-	-	-	-	5,064,365
Notes payable (note 6)	115,000	-	-	-	115,000	-
Accrued vacation, sick pay, and overtime leave (note 6)	515,864	50,221	82,958	40,806	689,849	294,934
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	20,449,187
Total noncurrent liabilities	119,279,734	87,936,253	82,958	40,806	207,339,751	25,808,486
Total liabilities	128,568,752	90,290,446	7,021,616	278,996	226,159,810	36,123,115
Net Assets						
Invested in capital assets, net of related debt	271,212,696	(15,016,856)	16,614,665	2,227,352	275,037,857	24,685,684
Restricted for:						
Capital projects	500,000	2,419,414	-	-	2,919,414	-
Debt service	3,580,922	1,414,464	-	-	4,995,386	-
Other purposes:						
Expendable	53,214,802	2,486,308	11,256,453	-	66,957,563	-
Unrestricted	-	-	-	3,034,425	3,034,425	1,759,223
Total net assets (deficit)	328,508,420	(8,696,670)	27,871,118	5,261,777	352,944,645	26,444,907
Total liabilities and net assets	\$ 457,077,172	81,593,776	34,892,734	5,540,773	579,104,455	62,568,022

Net assets of enterprise funds, Schedule E
 Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
 Net assets of business-type activities, Schedule A

\$ 352,944,645
 (1,078,014)
\$ 351,866,631

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, 2008

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
REVENUES							
Charges for services:							
Sale of water	\$ 31,852,909	-	-	-	-	31,852,909	-
Billings to departments	-	-	-	-	-	-	31,539,174
Billings to outside agencies & component units	-	-	-	-	-	-	2,232,265
Sewer service charges	13,867,368	-	-	-	-	13,867,368	-
Stormwater management fees	-	-	10,570,473	-	-	10,570,473	-
Tolls and tickets	-	7,189,355	-	1,498,119	-	8,687,474	-
Rental fees	1,091,810	-	-	75,311	-	1,167,121	-
Connection fees	4,732,776	-	-	-	-	4,732,776	-
Recreation fees	-	-	-	654,750	-	654,750	-
Miscellaneous	340,115	21,573	9,996	-	-	371,684	-
Recovered costs	2,294	6,232	-	28	-	8,554	-
Other	694,287	-	-	97,245	-	791,532	378,834
Total operating revenues	52,581,559	7,217,160	10,580,469	2,325,453	-	72,704,641	34,150,273
OPERATING EXPENSES							
Cost of materials billed	-	-	-	-	-	-	5,342,490
Purchases for resale	13,789,899	-	-	59,669	-	13,849,568	1,615,094
Water production	7,545,085	-	-	-	-	7,545,085	-
Sewer maintenance and operation	4,560,630	-	-	-	-	4,560,630	-
Water maintenance and operation	2,380,463	-	-	-	-	2,380,463	-
Customer service	1,281,037	-	-	-	-	1,281,037	-
General and administrative	1,859,845	195,114	623,753	137,814	-	2,816,526	916,580
Technical services	1,235,182	-	-	-	-	1,235,182	-
Other salaries and wages	-	1,048,733	1,992,444	847,448	-	3,888,625	5,035,314
Other fringe benefits	-	430,453	853,834	264,894	-	1,549,181	1,871,362
Self-insurance losses	-	-	-	-	-	-	6,003,346
Indemnity and medical claims	-	-	-	-	-	-	3,311,119
Other repairs and supplies	-	349,081	52,686	172,621	-	574,388	3,586,591
Equipment rental	-	5,369	3,024	10,428	-	18,821	328,921
Other contractual services	-	598,964	1,906,003	414,008	-	2,918,975	996,387
Depreciation and amortization	10,206,587	4,615,751	341,948	256,828	-	15,421,114	5,850,910
Insurance premiums	-	-	-	-	-	-	1,214,311

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule F, Continued

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2008

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
OPERATING EXPENSES, continued							
Meter reading services	\$ 270,599	-	-	-	-	270,599	-
Other	147	3,506	-	-	-	3,653	-
Total operating expenses	43,129,474	7,246,971	5,773,692	2,163,710	-	58,313,847	36,072,425
Operating income (loss)	9,452,085	(29,811)	4,806,777	161,743	-	14,390,794	(1,922,152)
NONOPERATING REVENUES (EXPENSES)							
Investment income	1,888,976	356,565	345,717	140,994	-	2,732,252	1,108,612
Interest expense	(5,735,465)	(2,106,155)	-	-	-	(7,841,620)	(340,163)
Gain on sale of equipment	9,995	-	-	95	-	10,090	131,958
Loss on sale of equipment	(122,353)	-	(402,039)	-	-	(524,392)	(163,952)
Total nonoperating revenue (expenses)	(3,958,847)	(1,749,590)	(56,322)	141,089	-	(5,623,670)	736,455
Income (loss) before transfers and contributions	5,493,238	(1,779,401)	4,750,455	302,832	-	8,767,124	(1,185,697)
Transfers in (note 8)	-	-	-	-	-	-	7,989,768
Transfers out (note 8)	-	(376,520)	(775,931)	(991,217)	-	(2,143,668)	(547,615)
Capital contributions	15,845,647	-	-	-	-	15,845,647	524,392
Increase (decrease) in net assets	21,338,885	(2,155,921)	3,974,524	(688,385)	-	22,469,103	6,780,848
Total net assets (deficit) - beginning	307,169,535	(6,540,749)	23,896,594	5,950,162	-	330,475,542	19,664,059
Total net assets (deficit) - ending	\$ 328,508,420	(8,696,670)	27,871,118	5,261,777	-	352,944,645	26,444,907

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

\$ 22,469,103
 (104,110)
\$ 22,364,993

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule G

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2008

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 49,963,838	6,980,676	9,844,998	2,441,514	69,231,026	33,939,301
Payments to suppliers	(22,983,665)	(1,152,034)	(2,342,770)	(845,640)	(27,324,109)	(21,769,911)
Payments to employees	(10,552,009)	(1,479,505)	(2,791,901)	(1,086,215)	(15,909,630)	(6,864,600)
Net cash provided by operating activities	16,428,164	4,349,137	4,710,327	509,659	25,997,287	5,304,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	-	7,989,768
Transfers out	-	(376,520)	(775,931)	(991,217)	(2,143,668)	(547,615)
Repayments of obligations under capital leases for equipment not capitalized	-	-	-	-	-	(61,617)
Net cash provided by (used in) noncapital financing activities	-	(376,520)	(775,931)	(991,217)	(2,143,668)	7,380,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	9,995	-	-	95	10,090	185,896
Acquisition of capital assets	(4,289,997)	(121,864)	(1,760,870)	-	(6,172,731)	(7,600,483)
Increase (decrease) in construction projects payable	(20,870)	-	194,083	-	173,213	(340,159)
Interest paid	(5,772,805)	(2,119,479)	-	-	(7,892,284)	(2,877,678)
Repayments of obligations under capital leases	-	-	-	-	-	-
Repayments of notes payable	(115,000)	-	-	-	(115,000)	-
Repayments of long-term debt	(4,718,897)	(741,392)	-	-	(5,460,289)	-
Net cash provided by (used in) capital and related financing activities	(14,907,574)	(2,982,735)	(1,566,787)	95	(19,457,001)	(10,632,424)

CITY OF CHESAPEAKE, VIRGINIA

Schedule G, Continued

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2008

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment income	\$ 1,924,798	356,565	361,218	145,556	2,788,137	1,120,838	
Net cash provided by investing activities	1,924,798	356,565	361,218	145,556	2,788,137	1,120,838	
Net increase (decrease) in cash and temporary investments	3,445,388	1,346,447	2,728,827	(335,907)	7,184,755	3,173,740	
Cash and temporary investments beginning of year	46,826,938	7,501,113	8,103,319	3,623,970	66,055,340	25,277,312	
Cash and temporary investments end of year	\$ 50,272,326	8,847,560	10,832,146	3,288,063	73,240,095	28,451,052	
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 9,452,085	(29,811)	4,806,777	161,743	14,390,794	(1,922,152)	
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	10,206,587	4,615,751	341,948	256,828	15,421,114	5,850,910	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:							
Receivables	(1,728,911)	(236,484)	(2,678,690)	35,217	(4,608,868)	(210,972)	
Inventory of materials and supplies	(33,263)	-	-	(921)	(34,184)	17,218	
Prepaid expenses and other assets	34,433	-	-	-	34,433	12,237	
Accounts payable	(666,502)	-	242,696	(50,179)	(473,985)	(137,012)	
Deferred revenues	-	-	1,943,219	80,844	2,024,063	-	
Deposits	(888,810)	-	-	-	(888,810)	-	
Accrued expenses and other liabilities	8,640	-	16,297	16,511	41,448	1,668,232	
Accrued vacation, sick pay, and overtime leave	43,905	(319)	38,080	9,616	91,282	26,329	
Total adjustments	6,976,079	4,378,948	(96,450)	347,916	11,606,493	7,226,942	
Net cash provided by operating activities	\$ 16,428,164	4,349,137	4,710,327	509,659	25,997,287	5,304,790	
Supplemental information on significant noncash transactions:							
Public Utilities Fund:							
Contributions of capital assets	\$ 15,845,647						
Internal Service Funds:							
Borrowing under capital leases	809,075						

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

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Chesapeake
VIRGINIA

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund

Trust Fund – Includes Other Post Employment Benefits Fund

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule H-1

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	Special Welfare Agency Fund	Other Post Employment Benefits Trust Fund
ASSETS		
Cash and temporary investments	\$ 26,417	-
Cash and temporary investments with trustee	-	2,316,567
Total assets	\$ 26,417	2,316,567
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ -	41,741
Due to children under foster care	26,417	-
Total liabilities	26,417	41,741
Net Assets		
Net assets held in trust for other post employment benefits	-	2,274,826
Total liabilities and net assets	\$ 26,417	2,316,567

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
June 30, 2008

		Other Post Employment Benefits Trust Fund
ADDITIONS		
Contributions from employer	\$	4,200,481
Contributions from plan members		888,587
Net investment income		23,018
Total additions	\$	5,112,086
DEDUCTIONS		
Administrative expenses	\$	41,741
Benefits and refunds paid on behalf of plan members and beneficiaries		2,795,519
Total deductions		2,837,260
Change in net assets		2,274,826
Net assets held in trust for other post employment benefits - beginning of year		-
Net assets held in trust for other post employment benefits - end of year	\$	2,274,826

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

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Chesapeake
VIRGINIA

Other Discretely Presented Component Units

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Net Assets
 Other Discretely Presented Component Units
 June 30, 2008

	Governmental Activities					Business-type Activities			Total
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.				
ASSETS									
Current assets:									
Cash and temporary investments (note 2)	\$ 6,511,222	783,895	2,563	509,843	452,373			8,259,896	
Receivables, net of allowance for uncollectible amounts	-	26,665,306	-	54,028	1,000,000			27,719,334	
Inventories	605,655	6,571,290	-	-	-			7,176,945	
Prepaid items	-	-	-	4,500	-			4,500	
Capital assets:									
Land	204,340	-	-	1,015,348	274,502			1,494,190	
Construction in progress	-	-	-	-	-			-	
Buildings	2,696,737	-	-	-	711,171			3,407,908	
Improvements other than buildings	14,897	-	-	16,460,939	3,547			16,479,383	
Equipment and vehicles	1,193,076	-	-	173,487	-			1,366,563	
Less accumulated depreciation	(878,937)	-	-	(8,104,875)	(68,264)			(9,052,076)	
Other assets	-	210,321	-	39,848	-			250,169	
Total assets	\$ 10,346,990	34,230,812	2,563	10,153,118	2,373,329			57,106,812	
LIABILITIES AND NET ASSETS									
Liabilities									
Accounts payable and accrued expenses	\$ 132,084	218,181	-	73,937	-			424,202	
Deferred revenues	-	-	-	8,642	-			8,642	
Due to primary government	-	1,319,095	944,407	439,100	-			2,702,602	
Current portion of long-term debt	-	3,122,115	-	110,000	11,597			3,243,712	
Long term liabilities	-	23,048,206	-	1,650,000	77,843			24,776,049	
Total liabilities	132,084	27,707,597	944,407	2,281,679	89,440			31,155,207	
Net Assets									
Invested in capital assets, net of related debt	3,230,113	5,252,195	-	7,345,799	831,516			16,659,623	
Restricted	-	-	-	-	2,010,154			2,010,154	
Unrestricted	6,984,793	1,271,020	(941,844)	525,640	(557,781)			7,281,828	
Total net assets	10,214,906	6,523,215	(941,844)	7,871,439	2,283,889			25,951,605	
Total liabilities and net assets	\$ 10,346,990	34,230,812	2,563	10,153,118	2,373,329			57,106,812	

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule J

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	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.	Total
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 4,595,989	-	6,577,386	1,981,397	-	-	-	-	1,981,397
Business-type Activities									
Economic Development Authority	3,529,822	-	3,382,262	-	(147,560)	-	-	-	(147,560)
Chesapeake Port Authority	15,404	-	13,969	-	-	(1,435)	-	-	(1,435)
Chesapeake Airport Authority	1,295,891	391,022	1,414,761	-	-	-	509,892	-	509,892
Elizabeth River Properties of Chesapeake, Inc.	70,361	64,151	1,028,296	-	-	-	-	1,022,086	1,022,086
Total component units	\$ 9,507,467	455,173	12,416,674	1,981,397	(147,560)	(1,435)	509,892	1,022,086	3,364,380
Change in net assets				\$ 1,981,397	(147,560)	(1,435)	509,892	1,022,086	3,364,380
Net assets - beginning				8,233,509	6,670,775	(940,409)	7,361,547	1,261,803	22,587,225
Net assets - ending				\$ 10,214,906	6,523,215	(941,844)	7,871,439	2,283,889	25,951,605

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(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. 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 or incomplete. 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 Public 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(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 501 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 advanced the Airport Authority certain amounts and has provided the Airport Authority with a loan, both of which are 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. Prior to January 2003, there were five separate commissions serving five of the City's six boroughs through representation from City Council-appointed members. The consolidation of the five commissions into one, approved by City Council, became effective in January 2003. As of June 30, 2008, the Commission has five appointed commissioners. The City finances the

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

operations of the Commission through incremental property taxes of \$.02 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. The Commission does not issue separate audited financial statements.

- Elizabeth River Properties of Chesapeake, Inc. (ERPC) is a not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. ERPC provides housing for individuals served by the City's Community Services Department. The Community Services' Board of Directors, whose members are appointed by City Council, appoints the members of the Board of ERPC and appropriates funds annually to provide rental assistance to individuals served by Community Services. The Community Services Board has also transferred funds to ERPC to be used for the purchase of additional residences for individuals serviced by Community Services. Separate audited financial statements are available through the City's Department of Community Services at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.
- 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 June 30, 2008 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, 2008.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

revenue fund in the City's financial statements. It does not issue separate audited 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 other discretely presented component units which are aggregated in the government-wide financial statements.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

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.

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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

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.

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,

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

emergency call center services, activities of the Community Development Block Grant Program, individual grant programs, tax increment financing districts, 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.

Nonmajor proprietary funds:

Enterprise Funds account for Jordan Bridge, Recreation, and Northwest River Park activities. These funds are designed to be primarily self-supporting through user charges. These funds service their own construction projects and record the acquisition of their depreciable assets and land.

Internal Service Funds account for central computer and information technology services, central fleet management services for City-owned vehicles, and services of the City's self-insurance 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 Post Employment Benefits Trust Fund* accounts for assets accumulated to fund other post-employment benefit obligations of the City. The component unit acts in a trustee capacity for retirees and beneficiaries receiving these benefits.

In accordance with 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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor 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 held by trustees for future retirements of bonds at the appropriate call date, retirements of certain certificates of participation at maturity, 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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

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 reservations 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, and emergency medical bills are based upon a historical analysis of uncollected accounts and are applied as a percentage of delinquent/terminated accounts in the year end accounts receivable balance.

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

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, 2007, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2008 was \$1.04 per \$100 of assessed value with an additional \$.02 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, 2008 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2008 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 at cost using the first-in, first-out (FIFO) method. All inventories of governmental funds and proprietary funds are recorded under the consumption method as expenditures or expenses when consumed, rather than when purchased.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

Capital Assets

Capital assets, which include land, development rights, 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. No interest expense was capitalized during fiscal year ended June 30, 2008.

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

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

Vacation, Sick Pay, and Accrued Overtime Leave

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

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. 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 commitments in process at year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. However, fund balances in the fund financial statements at year end have been accordingly reserved.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(1) Continued

Designated Fund Balances

The City charter requires that a minimum of 6% of the total General Fund revenue be designated for emergency use and cash flow needs throughout the fiscal year. In addition, the City Council has established that an additional 5% of the total General Fund revenue be designated for emergency operating purposes.

Net Assets

The government-wide statement of net assets reports \$44,031,261 of expendable restricted net assets for other purposes, of which \$33,669,622 is restricted by enabling legislation.

(2) Deposits and Investments

Deposits

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia, or covered by federal depository insurance. The cash balance, as of June 30, 2008 is \$180,241,215 including petty cash of \$31,125 and cash in the special welfare fiduciary fund of \$26,417. The restricted cash balance as of June 30, 2008 is \$4,607,332 which consists of a repurchase agreement of \$2,036,925, cash of \$922,849 being held by the Commonwealth of Virginia, and cash of \$1,647,558 being held by lease purchase escrow.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof (including Government sponsored enterprise (obligations), 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, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, 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. Statutes limit the localities to a maximum percentage of total investments of 50% for repurchase agreements, 40% for bankers acceptances, 35% for commercial paper or 20% for corporate notes.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(2) Continued

Investments in Virginia State Non-Arbitrage Program (SNAP) and the Evergreen Money Market Mutual funds are SEC registered open-ended mutual funds. The Local Government Investment Pool (LGIP) is a 2a7 “like” investment pool (as defined by GASB 31). The Virginia Public School Authority bond covenants require the bond proceeds to be invested with the Virginia State Non-Arbitrage Program which is monitored by the Virginia Treasury Board. These external investment pools are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form. Shares purchased through the external investment pools maintain a fair value equal to the share value within these funds. The Local Government Investment Pool is audited by the Auditor of Public Accounts, and is under the supervision of the Virginia Treasury Board. All Money Market Mutual funds have a fair market value equivalent to \$1.00 per share.

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 below is the minimum rating required by the Virginia State Code, the City’s investment policy, or the debt agreements as well as the actual investment ratings as of June 30, 2008.

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. The City of Chesapeake investment policy requires all certificates of deposit and time deposits of banks and savings and loan institutions located in the State of Virginia that are under the Virginia statute of public funds to be approved depositories by the State Treasury Board. These certificates of deposit and time deposits must be federally insured to the maximum extent possible and/or collateralized under the Virginia Security for Public Deposit Act, section 2.1-359 through 2.1-370 of the Code of Virginia.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(2) Continued

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 places no limit on the amount that can be invested in any one issuer beyond that stipulation by Virginia State Code. At June 30, 2008, the City was holding investments in Federal Home Loan Bank of \$23,120,152 which represented 5.32%; Town Bank of \$76,000,000 which represented 17.50%; and BB&T of \$48,000,000 which represented 11.09% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments, other than U.S. Treasury securities, mutual funds, and external investment pools.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits U.S. Treasury and U.S. Agency securities to maturities of less than five years; guaranteed investment contracts to maturities of less than 30 years; bankers acceptances to maturities of less than 180 days; commercial paper to maturities of less than 270 days; and corporate notes to maturities of less than 5 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 5 years and guaranteed investment contracts to maturities of less than 30 years.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2008

(2) Continued

Investments by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA	A	AIPI	AI+PI	Unrated
Investments:								
Commercial paper	108	A1/P1/F1	\$ -	-	-	39,651,650	21,821,733	-
U.S. Government-sponsored coupon securities	785	n/a	49,755,258	-	-	-	-	-
Corporate notes and municipal notes	187	n/a	1,206,644	4,624,204	398,452	-	-	400,900
Local Government Investment Pool	n/a	n/a	96,638,293	-	-	-	-	-
Virginia State Non-Arbitrage Program	n/a	n/a	17,422,376	-	-	-	-	-
Evergreen money market mutual fund	n/a	n/a	562,038	-	-	-	-	-
Repurchase agreement	n/a	n/a	-	-	-	-	-	59,904
Total			\$ 165,584,609	4,624,204	398,452	39,651,650	21,821,733	460,804
Restricted investments:								
Bank money market accounts	1	n/a	\$ -	-	-	-	-	500,000
Virginia State Non-Arbitrage Program	1	n/a	2,799,738	-	-	-	-	-
Federated U.S. money market mutual fund	1	n/a	1,972,400	-	-	-	-	-
U.S. Government-sponsored discount securities	27	n/a	1,932,624	-	-	-	-	-
STI Classic funds - money market mutual fund	1	n/a	1,094,283	-	-	-	-	-
Commonwealth Cash Reserve Fund - money market mutual fund	n/a	n/a	5,458,584	-	-	-	-	-
Total			\$ 13,257,629	-	-	-	-	500,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(2) Continued

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the Other Post Employment Benefits fiduciary trust fund have been pooled with the cash and investments of the primary government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$1,748,674, have been excluded because risk information is not available.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(2) Continued

Deposits and investments reported above:		
Pooled deposits	\$	180,241,215
Restricted deposits		4,607,332
Investments		246,299,081
Other component units		1,748,674
<hr/>		
Total deposits and investments reported above	\$	432,896,302
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Per Schedules A and H-1:		
Cash and temporary investments	\$	263,776,176
Cash and temporary investments with trustee		5,219,928
Cash restricted for debt service		559,904
Cash restricted for debt service with trustee		3,677,067
Cash with State Set-Aside		922,849
Investment - zero coupon bond		466,814
Capital construction:		
Cash and temporary investments		148,378,696
Cash and temporary investments with trustee		9,894,868
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Total capital construction		158,273,564
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Total cash and temporary investments per Schedules A and H-1	\$	432,896,302

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2008 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 35,427,104	-
Due from Federal government	7,020,947	-
Due from customers	2,033,454	18,555,372
Property taxes receivable	21,971,429	-
Interest receivable	1,066,304	428,348
Other	10,559,444	-
<hr/>		
Total accounts receivable	\$ 78,078,682	18,983,720

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(3) Continued

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2008 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,440,928	-	38,070	1,948,106
Due from Federal government	69,963	-	2,108,008	4,842,976
Property taxes receivable	21,971,429	-	-	-
Interest receivable	652,945	238,581	67,312	832
Other	10,752,069	-	18,610	1,551,269
Total accounts receivable	\$ 66,887,334	238,581	2,232,000	8,343,183

Property taxes receivable in the General Fund as of June 30, 2008 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 7,974,836	106,272	7,868,564
Personal property	16,854,843	2,793,804	14,061,039
Public service corporations	41,826	-	41,826
Total property taxes receivable	\$ 24,871,505	2,900,076	21,971,429

The total allowance for uncollectible amounts in the General Fund is \$4,969,479, which includes a \$1,924,742 allowance for uncollectible emergency medical service fees, a \$91,540 allowance for uncollectible vehicle license fees, and a \$53,121 allowance for uncollectible miscellaneous City invoices.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2008 are as follows:

	Due From Customers & Other	Interest Receivable
Public Utilities Fund	\$ 10,877,844	266,104
Chesapeake Expressway Fund	254,765	123,542
Stormwater Management Fund	7,422,763	23,160
Other enterprise funds	-	15,542
Internal Service Funds	270,950	106,634
Total accounts receivable	\$ 18,826,322	534,982

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(3) Continued

Accounts payable, deposits, and accrued expenses in the Statement of Net Assets as of June 30, 2008 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 8,740,398	2,342,404
Deposits	3,053,616	940,145
Accrued expenses, excluding interest	5,274,198	105,512
Construction projects payable	3,726,104	876,287
Accrued interest	5,123,950	1,431,559
Total accounts payable, deposits, and accrued expenses	\$ 25,918,266	5,695,907

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2008 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	\$ 7,172,771	5,183,499	-
Debt Service Fund	3,112	-	-
Capital Projects Fund	-	-	3,726,104
Other governmental funds	3,672,657	56,449	-
Total accounts payable, deposits, and accrued expenditures	\$ 10,848,540	5,239,948	3,726,104

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2008 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 2,802,752	40,888	636,201	466,242
Chesapeake Expressway Fund	35,826	14,431	-	965,317
Stormwater Management Fund	393,065	25,761	240,086	-
Other enterprise funds	50,906	24,432	-	-
Internal Service Funds	945,474	34,249	-	-
Total accounts payable, deposits, and accrued expenses	\$ 4,228,023	139,761	876,287	1,431,559

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 278,145,885	3,389,051	-	281,534,936
Land - School	3,016,081	-	-	3,016,081
Developmental Rights	1,342,284	-	-	1,342,284
Construction in progress	100,532,458	35,203,092	(70,570,478)	65,165,072
Construction in progress - ISF	527,640	2,184,756	(621,629)	2,090,767
Total capital assets, not being depreciated	383,564,348	40,776,899	(71,192,107)	353,149,140
Capital assets, being depreciated:				
Buildings	180,978,685	-	-	180,978,685
Buildings - ISF	138,579	19,370	-	157,949
Buildings - School	339,580,370	64,345,060	-	403,925,430
Improvements other than buildings	24,464,744	187,256	-	24,652,000
Improvements other than buildings - ISF	398,303	-	-	398,303
Equipment and vehicles	17,201,902	3,349,111	(264,497)	20,286,516
Equipment and vehicles - ISF	67,484,028	7,351,454	(3,337,579)	71,497,903
Infrastructure	1,027,732,119	9,363,597	-	1,037,095,716
Total capital assets being depreciated	1,657,978,730	84,615,848	(3,602,076)	1,738,992,502
Less accumulated depreciation for:				
Buildings	(51,583,620)	(4,401,855)	-	(55,985,475)
Buildings - ISF	(46,648)	(3,948)	-	(50,596)
Buildings - School	(102,821,392)	(7,937,762)	-	(110,759,154)
Improvements other than buildings	(9,172,789)	(1,618,950)	-	(10,791,739)
Improvements other than buildings - ISF	(204,314)	(38,537)	-	(242,851)
Equipment and vehicles	(10,153,392)	(2,108,550)	264,091	(11,997,851)
Equipment and vehicles - ISF	(38,702,025)	(5,808,426)	3,119,689	(41,390,762)
Infrastructure	(738,842,688)	(22,503,931)	-	(761,346,619)
Total accumulated depreciation	(951,526,868)	(44,421,959)	3,383,780	(992,565,047)
Total capital assets being depreciated, net	706,451,862	40,193,889	(218,296)	746,427,455
Capital assets, net	\$ 1,090,016,210	80,970,788	(71,410,403)	1,099,576,595

Governmental Activities capital assets net of accumulated depreciation at June 30, 2008 are comprised of the following:

General Government Capital Assets, Net	\$ 1,067,115,882
Internal Service Fund Capital Assets, Net	32,460,713
Total	\$ 1,099,576,595

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Continued

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2008 as follows:

General government	\$ 6,556,715
Public safety	751,340
Public works	684,320
Public welfare	70,998
Parks	65,982
Education	7,937,762
Net unallocated portion (depreciation of general infrastructure assets)	22,503,931
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	5,850,911
Total depreciation expense, governmental activities	\$ 44,421,959

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$22,321,802 includes the unallocated portion of depreciation expense noted above of \$22,503,931, and amortization of bond costs of issuance, deferred bond premiums and refunding costs of \$182,129.

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

Functions	Project authorization	Expended to June 30, 2008	Committed	Required Future Financing
General government	\$ 80,139,380	32,318,496	47,820,884	none
Public safety	10,081,315	1,765,126	8,316,189	none
Public works	82,248,089	26,110,507	56,137,582	none
Parks	11,657,238	7,026,025	4,631,213	none
Public welfare	158,806	35,685	123,121	none
Education	2,268,331	-	2,268,331	none
Total	\$ 186,553,159	67,255,839	119,297,320	-

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Continued

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 21,811,127	556,649	-	22,367,776
Construction in progress	12,250,464	5,481,762	(3,586,078)	14,146,148
Total capital assets, not being depreciated	34,061,591	6,038,411	(3,586,078)	36,513,924
Capital assets, being depreciated:				
Buildings	5,493,339	-	-	5,493,339
Improvements other than buildings	2,913,803	-	-	2,913,803
Equipment and vehicles	9,234,456	814,581	(762,823)	9,286,214
Infrastructure	587,028,522	18,629,600	-	605,658,122
Total capital assets, being depreciated	604,670,120	19,444,181	(762,823)	623,351,478
Less accumulated depreciation for:				
Buildings	(766,689)	(139,189)	-	(905,878)
Improvements other than buildings	(465,623)	(69,877)	-	(535,500)
Equipment and vehicles	(6,266,263)	(763,608)	238,431	(6,791,440)
Infrastructure	(151,746,137)	(14,412,569)	-	(166,158,706)
Total accumulated depreciation	(159,244,712)	(15,385,243)	238,431	(174,391,524)
Total capital assets being depreciated, net	445,425,408	4,058,938	(524,392)	448,959,954
Capital assets, net	\$ 479,486,999	10,097,349	(4,110,470)	485,473,878

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

Public Utilities	\$ 10,188,406
Chesapeake Expressway	4,598,061
Stormwater Management	341,948
Northwest River Park	11,204
Jordan Bridge	199,739
Recreation	45,885
Total depreciation expense, business-type activities	\$ 15,385,243

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$22.7 million at June 30, 2008. There was no capitalized interest incurred this fiscal year related to construction in progress; however, there is

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Continued

\$2,247,492 of capitalized interest included in infrastructure assets in the Chesapeake Expressway Fund.

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 9,958,229	556,649	-	10,514,878
Construction in progress	6,898,179	4,178,791	(3,573,166)	7,503,804
Total capital assets, not being depreciated	16,856,408	4,735,440	(3,573,166)	18,018,682
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	2,840,010	-	-	2,840,010
Equipment and vehicles	2,918,961	343,770	(331,350)	2,931,381
Infrastructure	488,521,475	18,629,600	-	507,151,075
Total capital assets, being depreciated	494,354,044	18,973,370	(331,350)	512,996,064
Less accumulated depreciation for:				
Buildings	(28,332)	(2,495)	-	(30,827)
Improvements other than buildings	(446,872)	(66,187)	-	(513,059)
Equipment and vehicles	(2,401,396)	(161,182)	208,997	(2,353,581)
Infrastructure	(123,743,337)	(9,958,542)	-	(133,701,879)
Total accumulated depreciation	(126,619,937)	(10,188,406)	208,997	(136,599,346)
Total capital assets being depreciated, net	367,734,107	8,784,964	(122,353)	376,396,718
Capital assets, net	\$ 384,590,515	13,520,404	(3,695,519)	394,415,400

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Continued

Chesapeake Expressway Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Total capital assets, not being depreciated	11,105,618	-	-	11,105,618
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	5,375,320	-	-	5,375,320
Infrastructure	82,355,685	-	-	82,355,685
Total capital assets, being depreciated	93,120,300	-	-	93,120,300
Less accumulated depreciation for:				
Buildings	(717,557)	(134,732)	-	(852,289)
Equipment and vehicles	(3,283,955)	(514,433)	-	(3,798,388)
Infrastructure	(23,409,884)	(3,948,896)	-	(27,358,780)
Total accumulated depreciation	(27,411,396)	(4,598,061)	-	(32,009,457)
Total capital assets being depreciated, net	65,708,904	(4,598,061)	-	61,110,843
Capital assets, net	\$ 76,814,522	(4,598,061)	-	72,216,461

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(4) Continued

Stormwater Management Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 363,586	-	-	363,586
Construction in progress	5,339,373	1,302,971	-	6,642,344
Total capital assets, not being depreciated	5,702,959	1,302,971	-	7,005,930
Capital assets, being depreciated:				
Equipment and vehicles	87,809	457,899	(431,473)	114,235
Infrastructure	10,950,634	-	-	10,950,634
Total capital assets, being depreciated	11,038,443	457,899	(431,473)	11,064,869
Less accumulated depreciation for:				
Equipment and vehicles	(67,001)	(10,962)	29,434	(48,529)
Infrastructure	(1,076,619)	(330,986)	-	(1,407,605)
Total accumulated depreciation	(1,143,620)	(341,948)	29,434	(1,456,134)
Total capital assets being depreciated, net	9,894,823	115,951	(402,039)	9,608,735
Capital assets, net	\$ 15,597,782	1,418,922	(402,039)	16,614,665

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 16,846,470	-	-	16,846,470
Construction in progress	11,665,069	36,989,821	(11,003,537)	37,651,353
Total capital assets, not being depreciated	28,511,539	36,989,821	(11,003,537)	54,497,823
Capital assets, being depreciated:				
Buildings	36,769,878	-	-	36,769,878
Improvements other than buildings	5,604,150	-	-	5,604,150
Furniture, equipment, vehicles, and textbooks	66,380,772	6,308,267	(2,692,565)	69,996,474
Total capital assets, being depreciated	108,754,800	6,308,267	(2,692,565)	112,370,502
Less accumulated depreciation for:				
Buildings	(6,471,535)	(644,464)	-	(7,115,999)
Improvements other than buildings	(2,334,237)	(277,926)	-	(2,612,163)
Furniture, equipment, vehicles, and textbooks	(34,397,582)	(6,687,325)	2,684,229	(38,400,678)
Total accumulated depreciation	(43,203,354)	(7,609,715)	2,684,229	(48,128,840)
Total capital assets being depreciated, net	65,551,446	(1,301,448)	(8,336)	64,241,662
Capital assets, net	\$ 94,062,985	35,688,373	(11,011,873)	118,739,485

Depreciation expense of \$7,609,715 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, 2008 are comprised of the following:

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 18,979,279	-	-
Personal Property Tax Relief Act	3,208,670	-	-
Emergency medical service fees	1,343,742	-	-
Public utilities fees	-	-	10,574
Stormwater management fees	-	-	6,220,652
Other	326,156	375,847	133,785
Total deferred revenues	\$ 23,857,847	375,847	6,365,011

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2008 follows:

	Balances at July 1, 2007	Increases	Decreases	Balances at June 30, 2008	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 375,927,671	9,490,000	(30,041,076)	355,376,595	32,972,112
Lease revenue bond with general obligation pledge	4,660,000	-	(120,000)	4,540,000	125,000
	380,587,671	9,490,000	(30,161,076)	359,916,595	33,097,112
Deferred amounts:					
Plus bond premiums	16,688,688	513,048	(1,726,684)	15,475,052	1,770,551
Less refunding costs	(10,911,433)	-	1,461,869	(9,449,564)	(1,461,869)
Total bonds payable	386,364,926	10,003,048	(30,425,891)	365,942,083	33,405,794
Other long-term obligations:					
Net pension obligation	1,588,558	23,311,596	(23,309,328)	1,590,826	-
Net OPEB obligation	-	17,772,418	(4,200,481)	13,571,937	-
Arbitrage	574,251	215,758	-	790,009	-
Compensated absences	15,929,128	13,319,610	(12,190,926)	17,057,812	7,096,050
Literary loans	4,627,862	-	(549,493)	4,078,369	549,493
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Capital leases	12,590,549	809,075	(4,495,759)	8,903,865	3,637,432
Capital leases to component unit	28,915,000	-	(2,955,000)	25,960,000	3,085,000
Supplemental payments agreement	23,160,000	-	(1,095,000)	22,065,000	1,140,000
Liability for self-insurance losses	25,140,766	9,570,585	(7,900,854)	26,810,497	6,361,310
Section 108 loan payable	1,715,000	-	(300,000)	1,415,000	320,000
Deferred amounts:					
Plus refunding gains on supplemental payments agreement	628,125	-	(41,875)	586,250	41,875
Total long-term obligations	\$ 502,576,449	75,002,090	(87,464,607)	490,113,932	55,636,954

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2008 follows:

	Balances at July 1, 2007	Increases	Decreases	Balances at June 30, 2008	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 125,473,614	-	(4,718,897)	120,754,717	4,819,154
Deferred amounts:					
Plus bond premiums	5,727,034	-	(324,672)	5,402,362	324,672
Less bond discounts	(28,175)	-	4,216	(23,959)	(4,216)
Less refunding costs	(3,220,131)	-	289,714	(2,930,417)	(289,714)
Total bonds payable	127,952,342	-	(4,749,639)	123,202,703	4,849,896
Notes payable	345,000		(115,000)	230,000	115,000
Compensated absences	839,423	670,587	(626,681)	883,329	367,465
	129,136,765	670,587	(5,491,320)	124,316,032	5,332,361
Chesapeake Expressway:					
Revenue bonds	21,630,000	-	(385,000)	21,245,000	410,000
Less bond discount	(230,569)	-	10,479	(220,090)	(10,480)
Total bonds payable	21,399,431	-	(374,521)	21,024,910	399,520
Due to Commonwealth of Virginia	68,520,358		(356,392)	68,163,966	903,324
Compensated absences	86,314	57,369	(57,688)	85,995	35,774
	90,006,103	57,369	(788,601)	89,274,871	1,338,618
Stormwater Management:					
Compensated absences	103,972	133,725	(95,645)	142,052	59,094
Nonmajor business-type activities:					
Compensated absences	60,257	45,474	(35,858)	69,873	29,067
Total long-term obligations	\$ 219,307,097	907,155	(6,411,424)	213,802,828	6,759,140

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2008 follows:

	Balances at July 1, 2007	Increases	Decreases	Balances at June 30, 2008	Due Within One Year
Compensated absences	\$ 30,718,283	4,783,733	(1,785,062)	33,716,954	1,805,000
Net pension obligation	96,761	-	(70)	96,691	-
Net OPEB obligation	-	44,939,118	(4,051,938)	40,887,180	-
Liability for self-insurance losses	2,490,528	3,987,943	(2,664,160)	3,814,311	3,814,311
Capital leases	10,685,163	4,300,000	(2,800,343)	12,184,820	2,507,050
Total long-term obligations	\$ 43,990,735	58,010,794	(11,301,573)	90,699,956	8,126,361

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 Public Schools are still tasked with all care, management, and control over these properties.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2008 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding
Governmental activities - General Obligation bonds		
1993 Public Improvement Refunding bonds	5.40% - 5.50%	\$ 4,365,282
1994 Public Improvement bonds	5.00%	5,275,000
1994A School bonds	6.35% - 6.60%	3,184,781
1996A School bonds	5.10% - 5.23%	5,355,000
1997A School bonds	5.35% - 5.60%	8,550,000
1998 Public Improvement bonds	4.40% - 5.00%	14,090,000
1998A School bonds	4.35% - 5.10%	4,510,000
1999A School bonds	5.35% - 6.10%	6,000,000
2000A School bonds	5.10% - 5.60%	6,110,000
2001A School bonds	4.85% - 5.60%	5,445,000
2001B School bonds	3.10% - 5.35%	1,256,532
2001 Public Improvement bonds	5.00% - 5.50%	2,260,000
2001 Public Improvement Refunding bonds	5.25% - 5.50%	39,960,000
2002A School bonds	5.10% - 5.60%	4,470,000
2002B School bonds	4.10% - 4.35%	2,875,000
2003 School Refunding bonds	4.00% - 5.25%	74,170,000
2003A School bonds	4.10% - 5.35%	1,970,000
2003A Public Improvement bonds	2.00% - 4.20%	10,230,000
2004A Public Improvement Refunding bonds	5.00%	47,190,000
2003 Lease Revenue bond with general obligation pledge	4.39%	4,540,000
2005A Public Improvement bonds	3.00% - 4.75%	12,365,000
2005A School bonds	3.10% - 5.10%	18,085,000
2005B School bonds	4.60% - 5.10%	8,915,000
2006A School bonds	4.48% - 5.10%	16,915,000
2006A Public Improvement bonds	4.25% - 4.50%	14,785,000
2006B School bonds	4.23% - 5.10%	17,040,000
2007A School bonds	4.10% - 5.10%	10,515,000
2007B School bonds	4.35% - 5.10%	9,490,000
		359,916,595
Add unamortized bond premiums		15,475,052
Less deferred refunding costs		(9,449,564)
Total general obligation bonds, governmental activities		\$ 365,942,083
Governmental activities - literary loans		
School literary loans, collateralized by certain school buildings	3.00%	\$ 4,078,369
Total Literary loans		\$ 4,078,369
Governmental activities - installment purchase agreement		
Installment purchase agreement	4.80%	\$ 1,342,284
Total Installment purchase agreement		\$ 1,342,284
Business-type activities		
Public Utilities - General Obligation bonds		
1993 Public Improvement Refunding bonds	5.40% - 5.50%	\$ 939,717
1995A Water and Sewer bonds	5.00%	23,100,000
2001 Water and Sewer Refunding bonds	4.13% - 4.25%	3,945,000
2003B Water and Sewer bonds	2.00% - 5.00%	50,270,000
2003C Water and Sewer Refunding bonds	2.25% - 3.50%	6,030,000
2004B Water and Sewer Refunding bonds	5.00%	30,750,000
2005B Water and Sewer Refunding bonds	3.00% - 4.00%	5,720,000
		\$ 120,754,717
Add unamortized bond premiums		5,402,362
Less unamortized bond discount		(23,959)
Less deferred refunding costs		(2,930,417)
Total Public Utilities bonds		\$ 123,202,703
Chesapeake Expressway - Revenue bonds:		
1999A Toll Road Revenue bonds	5.63%	\$ 21,245,000
Less unamortized bond discount		(220,090)
Total Chesapeake Expressway bonds		\$ 21,024,910

Schedule K, Continued

Callable	Noncallable	Call Premium
-	4,365,282	-
5,275,000	-	.25%-2.00%
-	3,184,781	-
5,355,000	-	.00%-3.00%
7,695,000	855,000	.00%-3.00%
13,090,000	1,000,000	.00%-2.00%
4,100,000	410,000	.00%-2.00%
5,000,000	1,000,000	.00%-2.00%
5,060,000	1,050,000	.00%-2.00%
4,270,000	1,175,000	.00%-2.00%
-	1,256,532	-
1,865,000	395,000	.00 %
18,410,000	21,550,000	.00 %
3,350,000	1,120,000	.00%-1.00%
-	2,875,000	-
24,425,000	49,745,000	.00 %
1,520,000	450,000	.00%-1.00%
7,475,000	2,755,000	.00 %
9,515,000	37,675,000	.00%-1.00%
4,540,000	-	.00%-2.00%
7,620,000	4,745,000	.00%
11,980,000	6,105,000	.00% - 1.00%
5,910,000	3,005,000	.00% - 1.00%
10,840,000	6,075,000	.00% - 1.00%
9,540,000	5,245,000	.00%
10,820,000	6,220,000	.00% - 1.00%
6,530,000	3,985,000	.00% - 1.00%
5,925,000	3,565,000	.00% - 1.00%
190,110,000	169,806,595	
-	-	-
-	-	-
-	4,078,369	-
	4,078,369	
-	1,342,284	-
	1,342,284	
-	939,717	-
23,100,000	-	.00%-2.00%
-	3,945,000	.00 %
44,025,000	6,245,000	.00 %
2,460,000	3,570,000	.00 %
19,130,000	11,620,000	.00%-1.00%
2,680,000	3,040,000	.00%
91,395,000	29,359,717	
-	-	-
-	-	-
-	-	-
20,405,000	840,000	.00% - 1.00%

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

Schedule K, Continued

(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		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 33,097,111	17,500,364	549,493	122,351	-	64,430	4,819,154	5,610,699	410,000	1,183,500
2010	32,393,360	15,786,971	549,493	105,866	-	64,430	4,595,563	5,414,012	430,000	1,159,875
2011	32,172,574	14,163,814	549,493	89,381	-	64,430	4,455,000	5,218,365	455,000	1,134,984
2012	32,067,175	12,537,867	509,578	72,897	-	64,430	4,640,000	5,015,840	480,000	1,108,688
2013	34,773,043	10,949,780	323,493	57,609	-	64,430	4,815,000	4,829,803	510,000	1,080,844
2014-2018	118,929,429	30,941,514	1,197,749	157,921	-	322,148	26,375,000	20,816,899	3,000,000	4,929,469
2019-2023	47,843,903	12,386,596	399,070	17,958	-	322,148	29,240,000	14,347,944	3,945,000	3,958,453
2024-2028	28,640,000	2,715,055	-	-	1,342,284	322,147	26,685,000	6,763,394	5,190,000	2,681,719
2029-2033	-	-	-	-	-	257,718	15,130,000	2,342,750	6,825,000	1,001,672
	\$ 359,916,595	116,981,961	4,078,369	623,983	1,342,284	1,546,311	120,754,717	70,359,706	21,245,000	18,239,204

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

- (d) In November 2007, the City sold \$9,490,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 4.42% and a premium of \$513,048. The bonds were issued to partially fund the construction of a new middle school.
- (e) 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.
- (f) 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, 2008, \$4,540,000 was outstanding.
- (g) 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 rate 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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

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, 2008 amounted to \$68,163,966. Revenues generated from the project were used to make a \$356,392 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.

- (h) In July 1997, the Commonwealth Transportation Board issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. The net proceeds were used to finance the City's Oak Grove Connector project. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the Commonwealth Transportation Board to make annual payments equal to the debt service payments on these bonds based on the original terms of the bonds including principal amount of \$33,075,000, interest rates ranging from 5.00% to 5.25%, and a maturity date of 2022. In May 2006 the Commonwealth Transportation Board refunded the bonds maturing in the years 2008 – 2022 in the amount of \$23,830,000. The Supplemental Payments Agreement has been adjusted accordingly to reflect a total debt service savings of \$1,615,054 including principal savings in the amount of \$670,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City's portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City's share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City's full faith and credit. The City made a \$1,095,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2008.

Fiscal year ending June 30:	Principal	Interest
2009	\$ 1,140,000	1,085,775
2010	1,190,000	1,037,325
2011	1,240,000	986,750
2012	1,305,000	924,750
2013	1,365,000	859,500
2014-2018	7,935,000	3,201,750
2019-2022	7,890,000	1,010,000
Total payments	\$ 22,065,000	9,105,850

- (i) 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. 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, 2008, \$14,230,000 was outstanding.
- (j) In June 1994, the City financed a 320-bed addition to the City jail through a financing arrangement with the EDA. Under the arrangement, the EDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2008, the amount owed by the City under this capital lease obligation was \$11,730,000.

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 and March 2005, portions of the debt related to the City jail project were refunded.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

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 \$11,713,596 have been received by the City as of June 30, 2008. The current year reimbursement was \$832,094.

(k) Notes payable at June 30, 2008 consisted of the following:

Business-type activities - Public Utilities Fund	\$ 230,000
Total notes payable	\$ 230,000

In April 2003, the City agreed to pay \$808,075 to the City of Norfolk for an under-billing of treated water. The payments, without interest, began in fiscal year 2004 and will be made over seven years. The remaining balance at June 30, 2008 is \$230,000.

The following table summarizes the City's payment requirements for the notes payable as of June 30, 2008:

	Business-type Activities Public Utilities Fund	
Fiscal years:		
2009	\$	115,000
2010		115,000
Total payments	\$	230,000

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

- (l) 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, 2008 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.

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

- (n) In October 1996, the City entered into a Section 108 loan in the amount of \$3,100,000. These funds were used for Community Development and will be repaid in annual installments through August 2011 with remaining interest rates ranging from 6.46% to 6.78%. In September 2003, the City drew an additional \$720,000 against the original \$3,800,000 Section 108 Loan Guarantee authorization, approved by City Council in 1996. Principal payments are due August 1, 2010 and August 1, 2011 in the amounts of \$330,000 and \$390,000 respectively. Interest is paid quarterly on the unpaid principal balance on the first day of February, May, August, and November. The interest rate is equal to 20 basis points (0.2 percent) above the applicable three-month London Interbank Offered Rate (LIBOR). Future debt service payments for the September 2003 draw are based on the interest rate of 2.88% effective June 30, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

The following is a schedule of projected future loan payments:

Fiscal year ending June 30:	Principal	Interest
2009	\$ 320,000	56,465
2010	340,000	34,499
2011	365,000	14,795
2012	390,000	2,808
Total payments	\$ 1,415,000	108,567

- (o) 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, 2007 was \$35,100,000. 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 \$159,075,097 as of June 30, 2008.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

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

Assessed valuation - real estate		\$ 24,740,116,412
<hr/>		
Legal debt limit - 10% of assessed valuation		\$ 2,474,011,641
Amount of debt applicable to legal debt limit:		
General bonded debt	\$ 507,336,966	
Plus:		
Notes payable	230,000	
Less:		
Self-supporting debt not chargeable to debt limit	79,040,000	
Amounts available for debt service	35,555,537	
<hr/>		
		392,971,429
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Legal debt margin available		\$ 2,081,040,212
<hr/>		
Percent of:		
Legal debt margin outstanding		15.9%
Legal debt margin available		84.1%
<hr/>		
		100.0%
<hr/>		
Summary of assessed valuation:		
Public service real estate	\$ 932,594,438	
Other city real estate	23,807,521,974	
<hr/>		
		\$ 24,740,116,412
<hr/>		

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of debt per capita and a threshold of 3.5% of debt to assessed value of taxable real property. For fiscal year 2008 management believes the City is in compliance with these policies.

(q) Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures.

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

On November 20, 1996, the EDA issued \$24,460,000 of Public Facility Lease Revenue Bonds to finance construction of the City of Chesapeake Court House

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(6) Continued

Project. The bonds are being repaid through City lease payments on the facility. The remaining interest rates on the bonds vary from 5.25% to 6.25%. At June 30, 2008, \$14,230,000 remains outstanding, of which all are callable.

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, 2008, \$11,730,000 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. At June 30, 2008, \$1,760,000 remains outstanding, \$1,650,000 of which is 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

The General Fund advanced the Airport Authority \$232,000 in 1992 for a runway extension and was to be repaid upon the sale of property owned by the Airport Authority. After the property sale, the Airport Authority was to have made annual payments to the City of one-fifteenth of the remaining advance after reducing the advance by the net proceeds from the sale. If the Airport Authority did not sell this property, annual payments of \$15,467 were to be made until the advance was repaid in full, which would be no later than December 15, 2019. The Airport Authority began making the required payments on the note to the City on December 15, 2005. A reservation of fund balance has been made in the General Fund for the balance outstanding at June 30, 2008 of \$185,600.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(7) Continued

On June 21, 2000, the City Council approved a \$390,000 non-interest bearing loan to the Airport Authority for capital improvements. This advance was made from the Debt Service Fund. Semi-annual payments of \$19,500 began on June 15, 2005 and will continue each year until the loan is repaid in full, which would be no later than December 15, 2014. A reservation of fund balance has been made in the Debt Service Fund for the balance outstanding at June 30, 2008 of \$253,500.

Subsequent to year end, at its meeting of September 9, 2008, the City Council authorized the restructuring of these two advances with different payment 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 will begin in fiscal year 2009 with a final balloon payment of \$47,600 on June 15, 2023.

The General Fund also budgeted and made payments of \$429,511 on behalf of the Airport Authority during fiscal year 2008. 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 \$13,960 on behalf of the Port Authority during fiscal year 2008. The City does not intend to collect these payments from the Port Authority.

Component Unit – Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2008, \$1,319,095 is outstanding in the General Fund. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the City budgeted and made payments of \$193,000 on behalf of the Authority during fiscal year 2008. The City does not intend to collect these payments from the EDA.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(7) Continued

Advances from the primary government to its component units as reported on the Statement of Net Assets as of June 30, 2008 is summarized as follows:

Advances to Airport Authority	\$	439,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,702,602
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units	\$	439,100

(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, 2008 are as follows:

Due To Other Funds	Due From Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	108,769
Debt Service Fund	190,325	-
Other governmental funds	1,664,649	-
Total interfund balances	\$ 1,854,974	108,769

These interfund balances are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund and temporary capital project funding. The amount due from the nonmajor governmental funds of \$108,769 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 \$634,109.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(8) Continued

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2008, City Council approved transfers totaling \$32,758,053 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included \$6,560,000 for a Human Resources/Payroll System; and \$800,000 for community revitalization.

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2008

(8) Continued

Interfund transfers for the year ended June 30, 2008 are as follows:

Transfers To Other Funds	Transfers From Other Funds										Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Stormwater Management Fund	Chesapeake Expressway Fund	Nonmajor Enterprise Funds	Internal Service Funds			
General Fund	\$ -	-	10,413	1,788,062	-	119,400	38,081	547,615			2,503,571
Debt Service Fund	40,273,536	-	3,542,264	2,198,693	-	-	-	-			46,014,493
Capital Projects Fund	32,758,053	-	-	2,337,585	775,931	257,120	953,136	-			37,081,825
Nonmajor governmental funds	25,114,158	-	83,020	1,418,026	-	-	-	-			26,615,204
Internal Service Funds	7,588,975	-	37,540	363,253	-	-	-	-			7,989,768
Total	\$ 105,734,722	-	3,673,237	8,105,619	775,931	376,520	991,217	547,615			120,204,861

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(9) Leases

The City and 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, 2008, the City's capital assets from governmental activities include \$54,665,000 of buildings leased from component units and leased equipment of \$23,548,419. Current year amortization expense for leased assets is \$3,683,839 and is included in depreciation expense. Accumulated amortization expense for these assets is \$18,921,005.

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, 2008 are as follows:

	Capital	Operating
Fiscal years:		
2009	\$ 8,314,326	779,453
2010	7,004,193	707,071
2011	6,204,646	556,660
2012	5,417,240	15,153
2013	4,475,656	1,201
2014-2018	9,959,737	-
Total future minimum lease payments	41,375,798	\$ 2,059,538
Less amounts representing interest	6,511,933	
Present value of minimum capital lease payments	\$ 34,863,865	

Total governmental operating lease payments for the year ended June 30, 2008 were \$1,166,758.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(9) Continued

At June 30, 2008, the Schools capital assets include \$18,752,538 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,865,671. Accumulated amortization expense for these assets is \$4,159,949. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2008 are as follows:

Fiscal years:		
2009	\$	2,983,346
2010		2,141,024
2011		2,141,024
2012		1,327,484
2013		1,327,484
2014-2018		4,328,750
<hr/>		
Total future minimum lease payments		14,249,112
Less amounts representing interest		2,064,293
<hr/>		
Present value of minimum capital lease payments	\$	12,184,819

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

The City and Public 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. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Effective July 1, 2007, the retirement multiplier increased from 1.70 percent to 1.85 percent for public safety sworn employees covered under VRS. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2008

(10) Continued

prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at www.VAretire.org or by writing the System 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. 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, 2008 were 16.93% and 15.02%, respectively, of annual covered payrolls.

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
2008	\$	32,881,785	32,881,785	100%
2007		29,258,886	29,258,886	100%
2006		22,683,414	22,683,414	100%

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(10) Continued

Annual Pension Cost

For the year ended June 30, 2008, the City's and Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 23,309,328	3,118,032
Interest on net pension obligation	119,142	7,257
Adjustment to annual required contribution	(116,874)	(7,327)
Annual pension cost	23,311,596	3,117,962
Less contributions made	23,309,328	3,118,032
Increase (Decrease) in net pension obligation	2,268	(70)
Net pension obligation at June 30, 2007	1,588,558	96,761
Net pension obligation at June 30, 2008	\$ 1,590,826	96,691

The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 investment rate of return, (b) projected salary increases from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of 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 and Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period over 20 years.

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, 2008	\$ 23,311,596	100.0%	\$ 1,590,826	\$ 3,117,962	100.0%	\$ 96,691
June 30, 2007	\$ 20,557,684	100.0%	\$ 1,588,558	\$ 2,951,103	100.0%	\$ 96,761
June 30, 2006	\$ 18,945,290	100.4%	\$ 1,578,412	\$ 2,363,221	100.0%	\$ 96,831

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(10) Continued

Funded Status and Funding Progress

As of January 18, 2008, the most recent actuarial valuation date for fiscal year ending June 30, 2007, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	536,503,720
Less actuarial value of plan assets		463,376,118
<hr/>		
Unfunded actuarial accrued liability (UAAL)	\$	73,127,602
Funded ratio (actuarial value of plan assets/AAL)		86.37%
<hr/>		
Covered payroll	\$	129,815,086
UAAL as a percentage of covered payroll		56.33%

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.

(11) Other Post-employment Benefits

Plan Description

The City's 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. The Post-Medicare Medical Plan is closed to employees hired July 1, 2007 or after. Plan membership as of June 30, 2008, consisted of 3,080 active service participants and 464 retirees and beneficiaries currently receiving benefits. There are no retirees entitled to benefits but not currently receiving them, because if they do not choose

to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Post-Employment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other post-employment 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 post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(11) Continued

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 based on quoted market prices.

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 2008, the City contributed \$4,200,481 to the plan, including \$1,906,933 for current premiums (68% of total premiums) and an additional \$2,293,548 to prefund benefits. Plan members receiving benefits contributed \$888,587, or 32% of the total premiums, through their required monthly contributions. Member contributions are 0.59% 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(11) Continued

For the year ended June 30, 2008, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 17,772,418
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
<hr/>	
Annual OPEB cost	17,772,418
Less employer contributions made	4,200,481
<hr/>	
Increase in net OPEB obligation	13,571,937
Net OPEB obligation at June 30, 2007	-
<hr/>	
Net OPEB obligation at June 30, 2008	\$ 13,571,937
<hr/>	

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 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, 2008	\$ 17,772,418	\$ 4,200,481	23.6%	\$ 13,571,937

Since 2008 was the transition year, only 2008 information is provided above. Going forward, information for the current year and each of the two preceding years will eventually be provided.

Funded Status and Funding Progress

As of January 30, 2008, the most recent actuarial valuation date for fiscal year ending June 30, 2008, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 140,246,181
Less actuarial value of plan assets	2,274,826
<hr/>	
Unfunded actuarial accrued liability (UAAL)	\$ 137,971,355
Funded ratio (actuarial value of plan assets/AAL)	1.62%
<hr/>	
Covered payroll	\$ 149,715,202
UAAL as a percentage of covered payroll	92.16%

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(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 information as of June 30, 2008, the first year of implementation. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions

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

In the June 30, 2008 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 10.0% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after ten years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on a closed basis within a period of 30 years.

Notes to Basic Financial Statements
June 30, 2008

(12) Fund Balances

Primary Government

The reserved fund balances in the fund financial statements at June 30, 2008 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED:					
Expendable:					
Advances to component units	\$ 185,600	253,500	-	-	439,100
Oak Grove Connector	923,115	-	-	-	923,115
Radio system	2,230,641	-	2,043	-	2,232,684
City future capital projects	4,072,542	-	12,164,729	-	16,237,271
Schools future capital projects	22,321,039	-	-	-	22,321,039
Treasurer's EGOV	21,039	-	-	-	21,039
Road/Transportation	4,961	-	-	-	4,961
Open space projects	-	-	1,349,196	-	1,349,196
City Courts construction	-	-	4,504,263	-	4,504,263
City Jail construction	-	-	2,229,282	-	2,229,282
AIW Bridge	-	-	62,024	-	62,024
Drainage projects	-	-	4,277,136	-	4,277,136
Other	287,067	23,918	436,343	-	747,328
Arbitrage rebate	-	766,090	-	-	766,090
Encumbrances	1,235,089	-	11,427,447	508,036	13,170,572
Nonexpendable:					
Nonexpendable fund corpus	-	-	-	12,795	12,795
Total	\$ 31,281,093	1,043,508	36,452,463	520,831	69,297,895

The designated fund balances in the fund financial statements at June 30, 2008 were as follows:

	General
UNRESERVED:	
Designated:	
Economic Development Investment Program	\$ 1,182,482
Schools cash reversion	1,863,760
Gilmerton Bridge	348,371
Technology Fees	163,427
Open space agriculture preservation	446,812
State reduction in local aid	1,200,000
Total	\$ 5,204,852

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(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, 2008.

(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. As of June 30, 2008, the City has incurred cumulative costs of \$24,819,500 related to the design and construction of the pipeline, with \$19 relating to fiscal year 2008. These costs are capitalized in the Public Utilities Fund.

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 13, 2008 the total estimated cost of which amounted to \$601,817,869 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(14) Continued

A summary of the sources of funds for the amended capital budget follows:

VDOT reimbursement	\$ 29,011,468
Funds from Other Agencies	196,993,075
Funds Previously Appropriated	55,941,312
General Construction Fund Balance	500,000
General Fund	8,567,703
General Fund Balance	975,000
Greenbrier TIF Cash	4,233,918
Public Utilities - Fund Balance	19,121,000
Stormwater Management Fees	29,000,000
Redirects from Other Projects	530,297
Borrowing Authority - Unissued	6,890,000
Public Utilities - Unissued Borrowing	111,246,000
Borrowing Authority - Greenbrier TIF	80,741,035
Borrowing Authority - SoNo TIF	24,500,000
Reserve for City Capital - Cash	7,586,361
Reserve for School Capital - Cash	2,101,400
VSPA Borrowing	23,879,300
	\$ 601,817,869

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

The City is exposed to various risks of loss related to civil torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 up to: a) \$1,000,000 per claim for general and automobile liability claims; b) \$1,000,000 per workers' compensation claim; and c) \$100,000 per claim for most other types of exposures including public official and law enforcement officer liability. The excess of each of these limits up to \$5,000,000 is covered by commercial insurance policies. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. 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 insurance coverage is substantially the same as in prior fiscal

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(15) Continued

years except that the self-insurance coverage was increased from \$750,000 to \$1,000,000 for workers compensation claims effective July 1, 2006.

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 \$26,810,497 reported in the Self-Insurance Fund at June 30, 2008 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, using an annual discount rate of 3.3%, 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, 2008 and 2007 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2007-2008	\$ 25,140,766	5,980,575	4,310,844	26,810,497
2006-2007	\$ 21,240,795	7,029,524	3,129,553	25,140,766

The Public Schools, a component unit, is self-insured for its workers' compensation and dental insurance. Workers' compensation has a \$500,000 limit per claim. 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 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, 2008 are recognized as a long-term liability. The Public Schools use the

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(15) Continued

information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2008 is \$3,814,311. Changes in the Public Schools' liability for self-insurance losses amount during the fiscal years ended June 30, 2008 and 2007 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2007-2008	\$ 2,490,528	3,987,943	2,664,160	3,814,311
2006-2007	\$ 1,288,287	4,369,328	3,167,087	2,490,528

Litigation

At June 30, 2008, the City established a reserve in the amount of \$965,323 to cover a claim asserted by the Environmental Protection Agency (EPA) for its response costs associated with analysis and cleanup of the Wingfield Point Subdivision in the Deep Creek area of the City. The site was found to have been operated as a private dump prior to being developed as a residential subdivision. Hazardous substances were discovered on the site. The EPA is holding the City responsible for its costs as a "responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) or the Superfund law. The claim was filed subsequent to year end. The City believes it has defenses to this claim. The City has been served with 103 Notices of Claims filed by homeowners in the vicinity of the Battlefield Golf Club on Centerville Turnpike. The claims have arisen out of the City's approval of a conditional use permit for a golf course constructed using fly ash materials and also have arisen from the publication of the confirmation of pollution of the groundwater and environment adjacent to the golf course. No amount of damages was specified and no lawsuits have been filed to date. The City is vigorously working to address the issues raised in the Notices of Claim. During the normal course of business, the City and its employees have been named as defendants in claims for personal injuries, property damage and specific performances which are being defended by the City Attorney and associated counsel. It is the opinion of the City Attorney, where it is possible to estimate, that the resolution of such litigation will not involve a substantial liability for the City in excess of amounts accrued in the Self-Insurance Fund.

Federal Award Programs

The City participates in a number of federal award programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs are

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2008

(15) Continued

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, City 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 \$9,850,356 at June 30, 2008. This deficit will be funded by future internal billings to other funds of the City.

The Chesapeake Expressway Fund, an Enterprise Fund, had a net asset deficit of \$8,696,670 at June 30, 2008. Depreciation expense began in 2001 when the Chesapeake Expressway was capitalized. Principle payments on Chesapeake Expressway debt begin in January 2007. The deficit will be reduced as the debt is repaid and future toll revenue is collected.

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of \$10,255 at June 30, 2008. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of \$941,844 at June 30, 2008. This deficit consists of an advance of \$944,793 to the Port Authority from the 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.

(17) Subsequent Event

Jordan Bridge Closure

On November 8, 2008, the City closed the Jordan Bridge. The 80 year old bridge was the oldest operating lift bridge in the Commonwealth of Virginia. The City determined the bridge would continue to be a safety concern and due to the city-wide transportation needs, a recommendation was made to decommission the bridge. On October 14, 2008, the City Council passed a resolution to close the bridge on November 8, 2008. The bridge will be removed from the waterway within a reasonable timeframe.

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
Year Ended June 30, 2008

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	\$ 305,748,476	305,748,476	296,131,657	(9,616,819)
Other local taxes	122,142,460	122,142,460	115,709,283	(6,433,177)
Licenses, permits, and fees	7,064,727	7,146,727	8,320,450	1,173,723
Intergovernmental revenues:				
Commonwealth of Virginia	78,341,072	79,859,756	83,658,664	3,798,908
Federal government	87,000	105,130	205,274	100,144
Recovered costs	17,800	17,800	560,158	542,358
Investment income	3,000,000	3,000,000	3,996,593	996,593
Revenues from use property	304,400	304,400	348,258	43,858
Charges for services	8,674,800	9,512,595	9,372,372	(140,223)
Fines and forfeitures	3,162,400	3,801,703	3,571,138	(230,565)
Miscellaneous local revenues	95,400	95,400	2,313,767	2,218,367
Total revenues	528,638,535	531,734,447	524,187,614	(7,546,833)
EXPENDITURES				
Current:				
General government	107,287,769	109,799,851	100,985,164	8,814,687
Public safety	82,170,317	82,522,908	83,727,629	(1,204,721)
Public works	55,297,438	55,686,375	52,964,560	2,721,815
Parks	7,944,502	7,964,502	7,547,127	417,375
Debt Service	2,228,813	2,228,813	2,239,985	(11,172)
Total expenditures	254,928,839	258,202,449	247,464,465	10,737,984
Excess of revenues over expenditures	273,709,696	273,531,998	276,723,149	3,191,151
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	119,400	1,093,632	2,503,571	1,409,939
Transfer from component units	300,000	300,000	2,119,878	1,819,878
Transfer from component unit - cash reversion	-	-	1,863,760	1,863,760
Transfers to other funds	(72,802,848)	(107,006,975)	(105,734,722)	1,272,253
Transfer to component units	(185,609,285)	(196,047,574)	(196,047,574)	-
Total other financing sources (uses)	(257,992,733)	(301,660,917)	(295,295,087)	6,365,830
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	15,716,963	(28,128,919)	(18,571,938)	9,556,981
Fund balances - beginning	148,355,304	148,355,304	148,355,304	-
Fund balances - ending	\$ 164,072,267	120,226,385	129,783,366	9,556,981

Unaudited - see accompanying auditors' 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, 2008

City Employees	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	June 30, 2007	\$ 463,376,118	536,503,720	73,127,602	86.37%	\$ 129,815,086	56.33%
	June 30, 2006	404,564,232	484,901,709	80,337,477	83.43%	124,731,599	64.41%
	June 30, 2005	374,280,622	465,683,510	91,402,888	80.37%	119,706,016	76.36%

Schools' Non-Professional Employees	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	June 30, 2007	\$ 52,011,985	66,405,313	14,393,328	78.33%	\$ 19,713,778	73.01%
	June 30, 2006	45,136,547	59,266,035	14,129,488	76.16%	18,602,631	75.95%
	June 30, 2005	42,007,930	56,541,645	14,533,715	74.30%	17,437,108	83.35%

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-3

Schedules of Funding Progress - Other Post Employment Benefits (unaudited)
Year Ended June 30, 2008

City	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	June 30, 2008	\$ 2,274,826	140,246,181	137,971,355	1.62%	\$ 149,715,202	92.16%
Schools	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	June 30, 2008	\$ 495,124	341,903,028	341,407,904	0.14%	\$ 211,208,943	161.64%

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

CITY OF CHESAPEAKE, VIRGINIA*Schedule L-4*

Schedules of Employer Contributions - Other Post Employment Benefits (unaudited)
 Year Ended June 30, 2008

City			
Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2008	\$ 17,772,418	4,200,481	23.63%

Schools			
Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2008	\$ 44,939,118	4,051,938	9.02%

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

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2008

(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.

By April 1, the City Manager submits a balanced budget to City Council for the next ensuing fiscal year to begin July 1. This budget includes the Public Schools' budget as adopted by the School Board. Although the City Manager can make recommendations on the Public Schools' budget, he cannot alter it. 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 47 days prior to the end of the current fiscal year. Subsequent to adoption at the fund level, the City Council adopts an appropriation ordinance allocating each fund's budget to the appropriate department.

After work sessions with the City Council and public hearings, the proposed budget is amended as necessary and an appropriations ordinance at the department level is adopted. Tax rates are established prior to the beginning of the fiscal year.

The City Council may authorize supplemental appropriations based on the availability of financial resources. The City Manager is authorized by City Council to make transfers between funds. Any revisions that alter total

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2008

(1) Continued

appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

Every 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 the following year under the provisions of the budget ordinance, 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 Interagency Consortium 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, 2008

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 234,480,976	234,447,029	(33,947)
Current taxes on public service corporations	9,768,600	9,674,413	(94,187)
Current taxes on personal property	39,507,700	33,918,839	(5,588,861)
Delinquent taxes on real property	4,340,100	4,294,827	(45,273)
Delinquent taxes on personal property	14,794,100	11,027,109	(3,766,991)
Penalties, interest, and advertising	2,857,000	2,769,440	(87,560)
Total general property taxes	305,748,476	296,131,657	(9,616,819)
Other local taxes			
Local sales and use taxes	38,927,100	35,091,242	(3,835,858)
Consumer utility taxes	9,945,200	9,907,614	(37,586)
Communications sales tax	10,546,560	13,647,798	3,101,238
Business license taxes	27,349,100	24,381,697	(2,967,403)
Local utility consumption tax	850,000	935,202	85,202
Bank stock taxes	948,400	1,047,244	98,844
Taxes on recordation and wills	5,000,000	3,507,486	(1,492,514)
Tobacco taxes	4,580,400	4,756,421	176,021
Hotel and motel room taxes	4,291,500	3,518,196	(773,304)
Restaurant food taxes	18,776,900	17,774,412	(1,002,488)
Admission taxes	462,400	660,363	197,963
Short-term rental taxes	324,900	316,178	(8,722)
Pari-mutuel wagering pool tax	140,000	165,430	25,430
Total other local taxes	122,142,460	115,709,283	(6,433,177)
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	42	40	(2)
Building structure and equipment permits	1,135,585	1,114,836	(20,749)
Precious metals and gems permits	2,400	2,200	(200)
Highway and driveway permits	15,400	14,790	(610)
Transfer fees	7,800	8,202	402
Zoning inspection fees	43,600	51,985	8,385
Building inspection fees	120,000	102,971	(17,029)
Electrical inspection fees	300,000	279,569	(20,431)
Elevator inspection fees	6,300	8,032	1,732
Plumbing inspection fees	189,000	170,829	(18,171)
Mechanical permits	280,000	397,000	117,000
Subdivision review fees	266,500	328,001	61,501
Solicitors permits	700	2,900	2,200
Taxi operators licenses	700	480	(220)
Motor vehicle license	4,573,100	5,628,392	1,055,292
Inspection fees - gas appliances	55,000	50,448	(4,552)
Animal license and fees	136,600	143,170	6,570
Rodent free certification fee	5,500	4,200	(1,300)
Rental inspection fees	8,500	12,405	3,905
Total licenses, permits, and fees	7,146,727	8,320,450	1,173,723
Fines and forfeitures	3,801,703	3,571,138	(230,565)
Investment income	3,000,000	3,996,593	996,593

(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, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 145,300	147,209	1,909
Rental of recreation facilities	134,600	179,632	45,032
Library rental revenue	17,000	15,515	(1,485)
Rental of showmobile	7,500	5,902	(1,598)
Total revenues from use of property	304,400	348,258	43,858
Charges for services:			
Special court costs	89,000	94,559	5,559
Law library fees	87,800	104,601	16,801
Accident report fees	49,300	49,045	(255)
Municipal court fees	35,000	43,730	8,730
Civil penalties	9,000	25,291	16,291
Non-support fees	28,000	53,997	25,997
Commonwealth's Attorney fees	9,100	9,533	433
Police escort fees	6,000	5,760	(240)
Sale of service - police	208,900	213,551	4,651
Fire report fees	7,300	750	(6,550)
Sheriff fees	22,900	45,781	22,881
Inmate medical fees	20,100	29,133	9,033
Sale of service - jail	1,405,100	824,304	(580,796)
Sale of service - jail inmates	186,400	252,576	66,176
Inmate phone system - jail	377,700	359,238	(18,462)
Sale of service - sheriff	724,700	851,885	127,185
Sale of service - public works	854,405	942,002	87,597
Engineering and administrative fees	379,000	45,992	(333,008)
Recreation franchise fees	79,200	79,588	388
Vending machine commissions	7,000	2,581	(4,419)
Gallery fees and dues	6,200	2,752	(3,448)
Library fines and fees	383,000	407,249	24,249
Lot processing fees	83,400	71,115	(12,285)
Sale of service - planning	1,000	4,783	3,783
Sale of service - public information	44,608	46,839	2,231
Sale of publications	12,000	6,213	(5,787)
Returned check fees	20,000	28,026	8,026
Custodian service	100,000	134,648	34,648
Wage assignment fees	9,600	7,260	(2,340)
Sale of service - assessor	8,500	9,799	1,299
Emergency medical service fees	2,485,200	3,055,579	570,379
Administration collected fees	818,310	883,633	65,323
Wetland Board Civil fees	82,400	66,950	(15,450)
Passport application fee	10,900	23,595	12,695
Sale of service - Commissioner of Revenue	127,500	301	(127,199)
Subdivision inspection fees	455,000	321,898	(133,102)
Sale of service - sponsorship	13,500	13,500	-
Fire plan review fees	-	52,909	52,909
Zoning fees	-	18,923	18,923
Building plan fees	160,500	86,636	(73,864)
Inspections technology fee	90,000	75,429	(14,571)
E-Government subscription fee	15,072	20,438	5,366
Total charges for services	9,512,595	9,372,372	(140,223)

(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, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Proffers	\$ -	1,431,906	1,431,906
Sale of real property	-	650,201	650,201
Sale of ARC - public works	76,300	50,245	(26,055)
Public Works claims reimbursement	16,800	72,456	55,656
Sale of junk and salvage	-	56,522	56,522
Escheated funds	-	81,670	81,670
Other revenue	2,300	(29,233)	(31,533)
Total miscellaneous local revenues	95,400	2,313,767	2,218,367
Recovered costs:			
Insurance claims and collections	-	14,192	14,192
Other recoveries and rebates	17,600	275,046	257,446
Recoveries - Indirect costs	-	267,805	267,805
Recoveries - Jury	200	3,115	2,915
Total recovered costs	17,800	560,158	542,358
Total revenues from local sources	451,769,561	440,323,676	(11,445,885)
Revenues from the Commonwealth			
Noncategorical aid:			
ABC profits	116,800	116,769	(31)
Wine taxes	122,400	122,397	(3)
Motor vehicle carrier taxes	128,100	127,075	(1,025)
Mobile home titling taxes	55,000	42,409	(12,591)
Police	7,455,767	7,490,114	34,347
Daily rental taxes - auto	873,500	726,403	(147,097)
Deed taxes	1,178,500	724,447	(454,053)
Personal Property Tax Relief	24,274,000	28,590,001	4,316,001
Total noncategorical aid	34,204,067	37,939,615	3,735,548
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,775,572	1,816,755	41,183
Sheriff	9,023,300	9,011,781	(11,519)
Commissioner of the Revenue	406,400	414,138	7,738
Treasurer	464,800	454,376	(10,424)
Medical Examiner	1,700	-	(1,700)
Registrar/Electoral Board	102,600	64,242	(38,358)
Circuit court clerk	1,145,282	807,234	(338,048)
Agriculture	58,500	77,362	18,862
Jail project reimbursement - State	615,700	615,655	(45)
Total shared expenses	13,593,854	13,261,543	(332,311)

(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, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 2,782,900	3,132,501	349,601
Street and highway maintenance	27,003,406	27,003,407	1
Library	238,593	224,927	(13,666)
Health	36,936	30,751	(6,185)
Excess fees	1,000,000	826,215	(173,785)
Other state grants	-	161,856	161,856
Transportation improvement set-aside	1,000,000	1,077,849	77,849
Total other categorical aid	32,061,835	32,457,506	395,671
Total categorical aid	45,655,689	45,719,049	63,360
Total revenues from the Commonwealth	79,859,756	83,658,664	3,798,908
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	50,000	51,867	1,867
Categorical aid:			
Other federal grants	12,500	15,913	3,413
Drug Enforcement Agency	-	22,533	22,533
Emergency reimbursement - federal	42,630	114,961	72,331
Total revenues from the Federal Government	105,130	205,274	100,144
Total revenues	531,734,447	524,187,614	(7,546,833)
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	1,819,878	1,819,878
Chesapeake Public Schools - cash reversion	-	1,863,760	1,863,760
Mosquito Control Commission	300,000	300,000	-
Transfers from other funds	1,093,632	2,503,571	1,409,939
Total other financing sources	1,393,632	6,487,209	5,093,577
Total revenues and other financing sources	\$ 533,128,079	530,674,823	(2,453,256)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2008

	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital					
			Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 975,825	900,813	-	-	900,813	75,012	15,350	59,662
Executive Department:								
City manager	1,694,045	1,631,647	-	-	1,631,647	62,398	15,120	47,278
Intergovernmental affairs	-	-	-	-	-	-	-	-
Public communications	1,311,309	1,301,205	-	-	1,301,205	10,104	-	10,104
Contingencies	3,128,868	-	-	-	-	3,128,868	-	3,128,868
Environmental emergencies	350,000	-	-	-	-	350,000	-	350,000
Department of Law - City Attorney	1,662,294	1,631,663	-	-	1,631,663	30,631	2,036	28,595
Department of Finance:								
Commissioner of revenue	3,398,736	3,139,544	9,344	-	3,148,888	249,848	6,564	243,284
Real estate assessor	2,482,263	2,332,148	-	-	2,332,148	150,115	-	150,115
Board of equalization	4,149	1,632	-	-	1,632	2,517	-	2,517
City treasurer	4,194,869	3,611,184	-	-	3,611,184	583,685	-	583,685
Sale of city auto licenses	-	-	-	-	-	-	-	-
Director of finance	2,857,033	2,591,144	-	-	2,591,144	265,889	22,495	243,394
Economic development	1,606,171	1,601,740	-	-	1,601,740	4,431	-	4,431
Portlock galleries	128,722	122,025	-	-	122,025	6,697	-	6,697
Budget director	861,773	747,061	-	-	747,061	114,712	-	114,712
City auditor	485,400	453,500	-	-	453,500	31,900	-	31,900
Independent auditors	193,700	125,011	-	-	125,011	68,689	67,500	1,189
Department of Human Resources:								
Human resources	2,556,388	1,979,864	9,660	-	1,989,524	566,864	-	566,864
HIPAA	329,538	182,429	-	-	182,429	147,109	82,699	64,410
Judicial Department:								
Circuit court	631,474	596,846	-	-	596,846	34,628	-	34,628
Magistrates office	61,099	54,617	-	-	54,617	6,482	-	6,482
General district court	2,330,670	2,358,364	-	-	2,358,364	(27,694)	-	(27,694)
Juvenile and domestic relations court	118,105	119,549	-	-	119,549	(1,444)	-	(1,444)
Court services unit	479,090	414,450	-	-	414,450	64,640	-	64,640
Commonwealth's attorney	3,593,689	3,529,260	-	-	3,529,260	64,429	11,538	52,891
Circuit court clerk	2,141,172	2,060,941	-	-	2,060,941	80,231	-	80,231
Sheriff	33,912,860	34,213,783	-	-	34,213,783	(300,923)	312	(301,235)
Law library	139,912	126,650	-	-	126,650	13,262	-	13,262
Chesapeake volunteer services	328,976	278,507	-	-	278,507	50,469	-	50,469
Virginia juvenile community crime commission	-	-	-	-	-	-	-	-
Department of General Services:								
Purchasing	787,636	760,028	-	-	760,028	27,608	-	27,608
Buildings maintenance	6,384,939	5,677,867	6,686	-	5,684,553	700,386	117,986	582,400
Facilities Management - building	1,631,930	1,499,350	-	-	1,499,350	132,580	10,328	122,252
Department of Public Health:								
Adult clinics	847,490	821,813	-	-	821,813	25,677	42,324	(16,647)
General clinics	1,574,968	1,544,257	-	-	1,544,257	30,711	-	30,711
OSHA services	373,966	370,062	-	-	370,062	3,904	-	3,904

(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, 2008

	Expenditures						Unencumbered Balance	
	Appropriations		Capital		Total	Unexpended Balance		Encumbrances
	Operating	Outlay	Operating	Outlay				
General government, continued:								
Department of Public Library:								
Public library	\$ 7,902,335	112,611	7,749,589	-	7,862,200	40,135	3,419	36,716
Records management	57,377	-	43,048	-	43,048	14,329	-	14,329
Public library state aid	241,560	-	227,927	-	227,927	13,633	-	13,633
Boards and Commissions:								
Planning department	2,123,279	-	1,840,680	-	1,840,680	282,599	5,674	276,925
Planning commission	54,023	-	39,514	-	39,514	14,509	-	14,509
Electoral board	960,199	-	911,596	-	911,596	48,603	25,771	22,832
Electoral workers	122,644	-	120,222	-	120,222	2,422	-	2,422
Department of Agriculture	432,563	-	404,090	-	404,090	28,473	-	28,473
Department of Neighborhood Services:								
Office of youth services	293,555	-	189,847	-	189,847	103,708	-	103,708
Housing Office	216,952	-	220,897	-	220,897	(3,945)	-	(3,945)
Nondepartmental:								
Support of civic and community organizations	7,736,728	-	6,627,485	-	6,627,485	1,109,243	8,334	1,100,909
Regional cooperation and support	1,083,194	-	1,063,022	-	1,063,022	20,172	-	20,172
Other post employment benefits	4,586,872	-	4,200,481	-	4,200,481	386,391	-	386,391
Chesapeake regional airport	429,511	-	429,511	-	429,511	-	-	-
Debt service	2,228,813	-	2,239,985	-	2,239,985	(11,172)	-	(11,172)
Total general government	112,028,664	138,301	103,086,848	-	103,225,149	8,803,515	437,450	8,366,065
Public Safety:								
Police department	38,065,324	177,318	38,269,355	-	38,446,673	(381,349)	9,263	(390,612)
Animal control	1,065,035	-	1,061,688	-	1,061,688	3,347	-	3,347
Public safety training	595,441	-	575,524	-	575,524	19,917	11,398	8,519
Fire department	35,216,035	74,940	36,778,749	-	36,853,689	(1,637,654)	-	(1,637,654)
Fire programs - State	-	-	-	-	-	-	-	-
Fire prevention bureau	1,316,617	-	1,239,229	-	1,239,229	77,388	-	77,388
Fire training	198,996	-	164,108	-	164,108	34,888	-	34,888
Fire - environmental compliance	228,681	-	173,219	-	173,219	55,462	-	55,462
Emergency medical services	1,001,163	-	913,837	-	913,837	87,326	-	87,326
Inspections	-	-	-	-	-	-	-	-
Neighborhood Services	3,566,705	-	3,207,594	-	3,207,594	359,111	-	359,111
Citizen Call Center	736,971	-	600,390	-	600,390	136,581	18,000	118,581
Neighborhood Coordination	299,378	-	267,739	-	267,739	31,639	368	31,271
Office of zoning administration	-	-	-	-	-	-	-	-
Emergency management operations	232,562	-	223,939	-	223,939	8,623	-	8,623
Total public safety	82,522,908	252,258	83,475,371	-	83,727,629	(1,204,721)	39,029	(1,243,750)
Public works:								
Engineering and administration	12,927,018	-	12,542,820	-	12,542,820	384,198	71,478	312,720
Traffic engineering	1,934,283	57,880	1,924,804	-	1,982,684	(48,401)	-	(48,401)
Street maintenance	12,035,047	280,160	10,966,382	-	11,246,542	788,505	446,602	341,903
Bridges and structures	1,899,906	8,850	1,873,583	-	1,882,433	17,473	1,342	16,131
Bureau of drainage	2,074,937	-	2,055,538	-	2,055,538	19,399	-	19,399
Street cleaning	490,464	-	477,507	-	477,507	12,957	-	12,957
Solid waste collection	10,936,554	1	10,527,005	1	10,527,006	409,548	40,690	368,858
SPSA	13,388,166	-	12,250,030	-	12,250,030	1,138,136	102,824	1,035,312
Total public works	55,686,375	346,891	52,617,669	-	52,964,560	2,721,815	662,936	2,058,879

(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, 2008

	Expenditures						Unencumbered Balance	
	Appropriations		Capital		Total	Unexpended Balance		Encumbrances
	Operating	Outlay	Operating	Outlay				
Parks:								
Parks and grounds maintenance	\$ 2,666,206	11,205	2,399,443		2,410,648	255,558	86,830	168,728
Administration	767,527	-	707,008		707,008	60,519	-	60,519
Parks, grounds, and building maintenance - warehouse	82,605	-	76,937		76,937	5,668	-	5,668
Parks, grounds, and building maintenance - workorder	76,849	-	75,662		75,662	1,187	-	1,187
Recreation programs	3,270,610	-	3,233,923		3,233,923	36,687	4,889	31,798
Northwest river park	612,111	-	564,947		564,947	47,164	3,955	43,209
Senior citizens program	299,895	-	293,085		293,085	6,810	-	6,810
Special programs	188,699	-	184,917		184,917	3,782	-	3,782
Total parks	7,964,502	11,205	7,535,922		7,547,127	417,375	95,674	321,701
Total expenditures and encumbrances	258,202,449	748,655	246,715,810		247,464,465	10,737,984	1,235,089	9,502,895
OTHER FINANCING SOURCES/USES								
Transfers to component unit:								
Public Schools	196,047,574	-	196,047,574		196,047,574	-	-	-
Transfers to other funds:								
Debt Service Fund	40,273,536	-	40,273,536		40,273,536	-	-	-
Capital Projects Fund	32,758,053	-	32,758,053		32,758,053	-	-	-
Virginia Public Assistance Fund	7,861,107	-	6,588,854		6,588,854	1,272,253	-	1,272,253
Community Services Fund	6,495,576	-	6,495,576		6,495,576	-	-	-
Interagency Consortium Fund	1,994,705	-	1,994,705		1,994,705	-	-	-
Community Corrections Fund	30,684	-	30,684		30,684	-	-	-
Fee Supported Activities Fund	51,663	-	51,663		51,663	-	-	-
Grants Fund	698,794	-	698,794		698,794	-	-	-
E-911 Operations Fund	6,063,293	-	6,063,293		6,063,293	-	-	-
Juvenile Detention Home Fund	2,430,927	-	2,430,927		2,430,927	-	-	-
Information Technology Fund	360,000	-	360,000		360,000	-	-	-
Open Space and Agriculture Preservation	759,662	-	759,662		759,662	-	-	-
City Garage Fund	4,023,148	-	4,023,148		4,023,148	-	-	-
Self Insurance Fund	3,205,827	-	3,205,827		3,205,827	-	-	-
Total transfers to other funds	107,006,975	-	105,734,722		105,734,722	1,272,253	-	1,272,253
Total other financing sources (uses)	303,054,549	-	301,782,296		301,782,296	1,272,253	-	1,272,253
Total expenditures, encumbrances, and other financing uses	\$ 561,256,998	748,655	548,498,106		549,246,761	12,010,237	1,235,089	10,775,148

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.

Chesapeake
VIRGINIA

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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, 2008

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 1,000,000	1,312,305	312,305
Revenues from use of property	115,765	115,765	-
Intergovernmental revenues:			
Commonwealth of Virginia	162,329	216,439	54,110
Total revenues	1,278,094	1,644,509	366,415
EXPENDITURES			
Interest on general obligation bonds	18,250,048	18,250,048	-
Interest on literary loans	138,836	138,836	-
Interest on open space agriculture preservation	70,515	70,515	-
Capital lease payments	1,500,155	1,500,153	2
Other debt expenditures	51,580	42,387	9,193
Redemption of general obligation bonds	30,041,076	30,041,076	-
Redemption of literary loans	549,493	549,493	-
Total expenditures	50,601,703	50,592,508	9,195
Deficiency of revenues under expenditures	(49,323,609)	(48,947,999)	375,610
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	40,273,536	40,273,536	-
Conference Center Fund	634,109	634,109	-
E-911 Operations Fund	1,500,155	1,500,155	-
Capital Projects Fund	-	3,542,264	3,542,264
Open Space and Agriculture Preservation Fund	64,429	64,429	-
Total transfers from other funds	42,472,229	46,014,493	3,542,264
Payments from component unit - Public Schools Capital Projects Fund	711,202	2,636,702	1,925,500
Premium on VPSA bonds	-	513,048	513,048
VPSA bonds proceeds	-	9,490,000	9,490,000
Payment to component unit - Public Schools Capital Projects Fund	-	(10,003,048)	(10,003,048)
Total other financing sources (uses)	43,183,431	48,651,195	5,467,764
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,140,178)	(296,804)	5,843,374
Fund balance - beginning	36,895,849	36,895,849	-
Fund balance - ending	\$ 30,755,671	36,599,045	5,843,374

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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.



Schedule O

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects:								
General government:								
1021100100	Project Management Services	\$ 150,000	118,682	-	118,682	31,318	13,140	18,178
1030800100	Americans with Disabilities Act II	250,000	51,289	172,967	224,256	25,744	-	25,744
1051000100	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000
1060700100	Jail Construction/Repair/Remediation	911,077	7,372	752,696	760,068	151,009	78,983	72,026
1060800100	Detention Home Space Study	240,000	722	229,752	230,474	9,526	872	8,654
1070410100	Integrated Financial Management System	44,883	-	-	-	44,883	-	44,883
1070500100	Congestion Mitigation Air Quality Program	170,354	-	7,631	7,631	162,723	-	162,723
1070900100	TCC Land Acquisition	6,121,093	4,569,031	1,259,399	5,828,430	292,663	-	292,663
1080900100	Battlefield Boulevard Strategic Development	1,000,000	-	-	-	1,000,000	-	1,000,000
1081100100	Greenbrier - Community Center	500,000	7,011	1,992,004	1,992,004	7,996	-	7,996
1090800100	TCC Off-Site Improvement	2,000,000	-	1,992,004	1,204,455	795,545	573,698	221,847
1090900100	South Norfolk Strategic Development	2,000,000	598,229	606,226	8,667	227,744	-	227,744
1091100100	Greenbrier - Wayfinding Signage	236,411	8,667	-	8,667	924,918	6,196	918,722
1101100100	Greenbrier Sidewalk/Crosswalk Improvement	990,160	65,242	-	65,242	25,000	-	25,000
1101200100	South Norfolk Community Development	25,000	-	-	-	805,761	999	804,762
1110900100	Battlefield Boulevard Plan Land Acquisition	1,000,000	50,414	143,825	194,239	58,190	-	58,190
1111100100	Greenbrier Site Survey	250,000	191,810	-	191,810	17,260	-	17,260
1119400100	Municipal Center Parking	21,165	-	3,905	3,905	69,337	-	69,337
1120400100	Undesignated Utilities and Water and Sewer Lines	495,460	-	426,123	426,123	161,182	-	161,182
1120800100	Indian River High School Basketball Field	163,236	-	163,236	163,236	140,558	-	140,558
1120900100	South Norfolk Plan Land Acquisition	1,850,000	65,428	1,688,818	1,688,818	55,086	-	55,086
1121100100	Enterprise Wide Technology Improvement	205,986	49,632	49,000	98,632	3,237	-	3,237
1128810100	Drainage City-Wide II	153,718	-	-	-	9,056,988	209,911	8,847,077
1130410100	City Strategic Plan II	3,237	-	-	-	3,124,940	2,062,156	1,062,784
1131200100	Greenbrier Center District - Greenbrier TIF	9,101,413	44,425	1,880,037	4,676,154	34,450	-	34,450
1140600100	Facilities High Priority Renewal & Replacement	7,801,094	2,796,117	209,629	229,648	67,942	-	67,942
1140700100	South Norfolk Community Improvement	264,098	20,019	7,058	7,058	78,648	-	78,648
1140900100	Open Space & Agriculture	75,000	-	-	-	1,529,147	1,051,656	477,491
1149600100	Arts Education Center	165,000	-	86,352	86,352	1,702,076	-	1,564,423
1150900100	Fire Station 3 - Indian River	3,653,600	1,902,189	222,264	2,124,453	194,340	-	194,340
1151000100	Conference Center Renovations	2,754,870	1,052,794	-	1,052,794	522,271	-	522,271
1151100100	Community Quality of Life Incentive	200,000	5,660	-	5,660	2,859	-	2,859
1151200100	North Corporate District - Greenbrier TIF	528,090	5,819	-	5,819	527,800	-	527,800
1159810100	Americans with Disabilities Act	2,859	-	-	-	316,854	-	316,854
1161100200	Police Precinct / Parks & Recreation Building	527,800	-	-	-	-	-	-
1161200100	Commerce District - Greenbrier TIF	316,854	-	-	-	-	-	-
1170600100	Infrastructure Improvement	1,392,702	-	1,392,702	1,392,702	78,174	-	78,174
1171200100	South Retail District - Greenbrier TIF	633,708	294,255	261,279	555,534	738,362	-	738,362
1181000100	Greenbrier Gateway Signage	750,000	11,638	-	11,638	108,343	-	102,037
1181200100	Municipal District - Greenbrier TIF	114,420	6,077	-	6,077	6,306	-	6,306

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

Project	Appropriations	Prior Years	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
			Current Year	Year				
General construction projects, continued:								
General government, continued:								
1191000100	\$ 250,000	-	250,000	-	250,000	-	-	-
1221000100	395,000	4,337	203,506	-	207,843	187,158	-	187,158
1230900100	4,520,520	250	7,227	-	7,477	4,513,043	-	4,513,043
1241000100	265,000	25,825	105,761	-	131,586	133,414	87,622	45,792
1251000100	175,000	124,811	6,757	-	131,568	43,432	-	43,432
1260600100	237,000	217,211	5,418	-	222,629	14,371	-	14,371
1280500100	1,363,037	1,259,236	-	-	1,259,236	103,801	-	103,801
1281100100	138,734	30,507	3,424	-	33,931	104,803	27,247	77,556
1300600100	1,200,000	-	272,261	-	272,261	927,739	96,320	831,419
1300900100	388,755	-	388,755	-	388,755	-	-	-
1311100100	812,344	516,953	20,868	-	537,821	274,523	38,758	235,765
1351100100	649,296	0	243,656	-	243,656	405,640	53,307	352,333
1371100100	310,000	188,598	106,580	-	295,178	14,822	-	14,822
1390600100	113,000	18,033	-	-	18,033	94,967	-	94,967
1469800100	-	-	-	-	-	-	-	-
1551200100	100,000	-	100,000	-	100,000	-	-	-
1561200100	500,000	-	-	-	-	500,000	-	500,000
1611200100	200,000	-	-	-	-	200,000	166,519	33,481
1621200100	500,000	-	-	-	-	500,000	-	500,000
1631200100	7,158,583	-	-	-	-	7,158,583	-	7,158,583
1911200100	700,000	-	-	-	-	700,000	-	700,000
1921200100	6,560,000	-	-	-	-	6,560,000	-	6,560,000
1931200100	100,000	-	-	-	-	100,000	-	100,000
1931210100	264,000	-	-	-	-	264,000	-	264,000
1931220100	423,000	-	65,218	-	65,218	357,782	263,986	14
1981200100	860,000	-	-	-	-	860,000	174,875	182,907
1991200100	50,000	-	-	-	-	50,000	3,578	860,000
Total general government	78,396,558	13,940,666	13,701,950	-	27,642,616	50,753,941	5,055,248	45,698,693
Department of Public Safety:								
1040900200	150,000	924	268	-	1,192	148,808	-	148,808
1061100200	900,000	-	-	-	-	900,000	-	900,000
1131100200	1,000,000	-	-	-	-	1,000,000	-	1,000,000
1150610200	107,045	10,229	23,700	-	33,929	73,116	10,410	62,706
1189600200	41,915	11,000	-	-	11,000	30,915	30,915	-
1220900200	100,000	65,288	-	-	65,288	34,712	24,712	10,000
1230900200	840,999	22,112	433,205	-	455,317	385,682	185,935	199,747
1241000200	3,370,000	-	7,344	-	7,344	3,362,656	50,558	3,312,098

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

Project	Expenditures					Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year						
General construction projects, continued:									
Department of Public Safety, continued:									
1380800200	800 Mhz Tower Demolition	\$ 3,138	-	-	-	3,138	-	-	3,138
1401100200	Automated Summons System	410,000	-	-	-	410,000	-	-	410,000
1591200200	Jail Phase II - Design	1,660,000	-	592,616	-	1,067,384	840,705	-	226,679
1601200200	Juvenile Court Security Improvement	432,000	-	63,723	-	63,723	199,816	-	168,461
1951200100	City Hall Campus Security	231,500	-	-	-	231,500	-	-	231,500
1971200200	Public Safety Training Academy	300,000	-	-	-	300,000	-	-	300,000
	Total Department of Public Safety	9,546,597	109,553	1,120,855	-	1,230,408	1,343,051	-	6,973,138
Department of Public Works:									
1002400300	Portsmouth Boulevard Phase 4	252,459	146,685	-	-	146,685	105,774	-	105,774
1020710300	Gilmerton Bridge Repairs II	940,117	702	55,451	-	56,153	883,964	55,808	828,156
1020810300	Campostella Road Culvert and Ditch Upgrade	200,000	-	-	-	-	200,000	-	200,000
1031000300	Poindexter Street Outfall Improvements	300,000	-	44,374	-	44,374	255,626	14,396	241,230
1040600300	Gilmerton Bridge Replacement	4,176,000	-	-	-	-	4,176,000	-	4,176,000
1040900300	Grade Crossing Safety Program	50,000	-	-	-	-	50,000	-	50,000
1041200300	Repairs and Maintenance Roads / Bridges	679,303	-	-	-	-	679,303	-	679,303
1050900300	Smart Traffic Center Phase 4	4,202,273	-	-	-	-	4,202,273	-	4,202,273
1051100300	George Washington Highway Right of Way Acquisition	915,000	436	30,372	-	30,808	884,192	13,098	871,094
1060900300	Smart Traffic Center Phase 3	1,000,000	-	-	-	-	1,000,000	-	1,000,000
1071200300	Citywide Signal Timings	33,532	-	33,530	-	33,530	2	-	2
1080410300	Undesignated Public Works Projects II	6,927	-	1,231	-	1,231	5,696	-	5,696
1080500300	Route 17/ Mill Creek Parkway/ Old Mill Road	-	-	-	-	-	-	-	-
1090500300	Kempsville Road Pump Station Relocation	-	-	-	-	-	-	-	-
1110500300	Various Traffic Signals	1,243,164	-	-	-	-	46,634	-	46,634
1110600300	Salt Storage Building	5,000	1,196,530	-	-	1,196,530	-	-	-
1141100300	Long Bridge Replacement	3,553,000	-	-	-	-	5,000	-	5,000
1150500300	Master Road Plan Study	205,000	-	247,450	-	247,450	3,305,550	93,626	3,211,924
1160310300	Prior CIB - Cedar Road II	67,969	157,061	-	-	157,061	47,939	-	47,939
1160900300	Crestwood And Drainage Improvement	4,250,000	-	67,969	-	67,969	-	-	-
1170900300	Military Highway Study and Street Lights	580,000	3,496,137	678,301	-	4,174,438	75,562	-	75,562
1171100300	Taylor Road / Ruce Road Right Turn Lanes	337,000	188,695	-	-	188,695	391,305	-	391,305
1200410300	Greenbrier Parkway Intersection II	716,125	-	231,955	-	231,955	105,045	13,368	91,677
1200500300	Gum Road Multi-Use Path	625,000	-	13,934	-	13,934	381,272	36,295	344,977
1210500300	Poindexter St Improvements	1,444,750	140,985	982,109	-	1,364,330	470,081	25,321	444,760
1210600300	Fuel Tank Leak Prevention and Detection	200,000	382,221	-	-	382,221	80,420	-	1
1210800300	Traffic Signals and Intersection Improvements	1,382,898	181,459	99,348	-	181,459	18,541	-	18,541
1210801300	Traffic Signal - Eden Way	180,000	293,888	180,000	-	393,236	989,662	-	989,662
1211000300	Great Dismal Swamp Trail Phase I	1,981,200	657	252,535	-	253,192	1,728,008	226,239	1,501,769
1220600300	Volvo Parkway	182,346	36,220	99,766	-	135,986	46,360	-	46,360
1221100300	Battlefield / Kempsville / Great Bridge	135,916	184	135,732	-	135,916	-	-	-

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects, continued:								
Department of Public Works, continued:								
12306003000	\$ 11,416,000	2,540,302	2,692,244	5,232,546	6,183,454	1,420,961	4,762,493	
12408003000	51,986	37,876	-	37,876	14,110	-	14,110	
12411003000	625,000	2,384	-	2,384	622,616	-	622,616	
12511103000	-	-	-	-	-	-	-	
12608003000	42,500	38,499	-	38,499	4,001	-	4,001	
12611103000	-	-	-	-	-	-	-	
12707103000	1,956,980	25,841	807,967	833,808	1,123,172	20,823	1,102,349	
12810003000	8,000	2,173	1,500	3,673	4,327	-	4,327	
12909003000	273,000	232,000	41,000	273,000	-	-	-	
12911003000	328,000	-	1,307	1,307	326,693	192,029	134,664	
13010004000	20,852	9,454	-	9,454	11,398	-	11,398	
13011003000	500,000	2,796	-	2,796	497,204	10,475	486,729	
13104003000	2,175	2,175	-	2,175	-	-	-	
13199003000	668,316	668,316	-	668,316	-	-	-	
13204003000	75,695	75,695	-	75,695	-	-	-	
13206103000	732,320	98,000	394,950	492,950	239,370	-	239,370	
13210003000	4,625,490	1,730,165	1,908,810	3,638,975	986,515	405,308	581,207	
13306003000	160,429	160,429	-	160,429	-	-	-	
13309003000	15,793	-	15,560	15,560	233	-	233	
13311003000	1,602,000	-	156,142	156,142	1,445,858	55,959	1,389,899	
13381003000	444,779	234,147	210,632	444,779	-	-	-	
13411003000	3,095,000	-	61,904	61,904	3,033,096	52,093	2,981,003	
13509003000	300,000	136,258	43,250	179,508	120,492	-	120,492	
13510003000	7,012,000	312,720	76,920	389,640	6,622,360	627,809	5,994,551	
13610003000	1,700,000	30,220	82,656	112,876	1,587,124	31,285	1,555,839	
13611003000	300,000	-	-	-	300,000	-	300,000	
13708003000	25,000	25,000	-	25,000	-	-	-	
13806003000	1,487,476	383,847	187,915	571,762	915,714	-	915,714	
13811003000	379,380	-	338,241	338,241	41,139	-	41,139	
13911003000	506,899	40,000	242,401	282,401	224,498	8,638	215,860	
14006003000	8,096	-	-	-	8,096	-	8,096	
14509003000	360,000	317,163	-	317,163	42,837	-	42,837	
14799103000	1,070,000	-	10,657	10,657	1,059,343	-	1,059,343	
15099103000	38,809	-	38,809	38,809	-	-	-	
15299003000	92,133	799	-	799	91,334	-	91,334	
15999003000	765,795	708,974	48,392	757,366	8,429	-	8,429	
16412003000	500,000	-	-	-	500,000	-	500,000	
16512003000	500,000	-	-	-	500,000	-	500,000	
16612003000	600,000	-	69,170	69,170	530,830	28,538	502,292	

(Continued)

Schedule O, Continued

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

Project	Expenditures					Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance	
General construction projects, continued:						
Department of Public Works continued:						
1671200300	Traffic Signal / Intersection Improvement	\$ 500,000	-	278,918	278,918	218,562
1831200300	Volvo / Independence Parkway Tinter	2,969,000	-	-	-	2,969,000
1851200300	Waters Road Ditch and Shoulder Improvement	1,542,000	-	-	-	1,542,000
1861200300	Centerville/ Blue Ridge / Fenitress	1,900,000	-	-	-	1,900,000
1871200300	Pocaty Bridge Replacement	1,500,000	-	-	-	1,500,000
1881200300	Bell Mills Bridge Replacement	1,500,000	-	-	-	1,500,000
1891200300	Tilden / Wayne Avenue Connector Road	650,000	-	-	-	650,000
1901200300	West Road Connector	890,000	-	1,638	1,638	888,362
	Total Department of Public Works	83,585,881	14,037,092	11,199,891	25,236,983	58,348,898
	Total Department of Libraries:					3,415,008
1129811000	Indian River Library Expansion II	90,083	3,738	-	3,738	86,345
1941201000	Library RFID System	612,000	-	-	-	612,000
	Total Department of Libraries	702,083	3,738	-	3,738	600,957
Department of Parks and Recreation:						
1000000400	Open Space Parks	23,830	-	-	-	23,830
1041100400	Demolition of Camp 22 Buildings	204,651	164,877	17,102	181,979	10,000
1050710400	Dr. Clarence V. Cuffee Community Center / Library	655,601	-	193,964	193,964	452,607
1130800400	Bryant Farms Park	92,000	13,877	41,130	55,007	36,993
1150800400	Chesapeake City Park	158,351	104,340	1,486	105,826	26,517
1160800400	Sawyer's Mill Park	20,001	12,414	-	12,414	7,587 *
1170500400	Parks Land Acquisition	2,155,539	1,346,661	615,033	1,961,694	193,845
1180800400	Miars's Plantation	83,969	34,746	23,199	57,945	26,024
1190800400	Stonegate Park	14,442	14,442	-	14,442	-
1221200400	Johnson Park Improvements	500,000	-	-	-	500,000
1230800400	Centerville Turnpike Park Phase 1	3,412,828	2,961,886	402,011	3,363,897	24,182
1260700400	Battlefield Visitor Center	850,000	339,417	16,017	355,434	41,042
1270800400	River's Edge Play Area	97,248	-	53,431	53,431	43,817
1270900400	Deep Creek Lock Park	164,856	164,856	-	164,856	-
1271100400	Park Shelters & Playgrounds	497,000	5,700	122,689	128,389	368,611
1280900400	South Battlefield Park	83,685	37,471	2,347	39,818	43,867
1300800400	Oak Grove Lake Park	158,317	134,247	1,500	135,747	20,777
1320800400	Southwestern Park	21,000	228	-	228	20,772
1340600400	New Park Development - Open Space	428,637	323,749	(20,259)	303,490	125,147
1370600400	Waterstone Park	27,547	27,547	-	27,547	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

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:								
1390900400	Bells Mill	13,223	-	13,223	8,777	-	8,777	-
1400900400	Cheshire Forest	31,551	14,770	31,551	-	-	-	*
1410900400	Camelot Park	34,165	3,328	26,926	7,239	7,239	0	*
1430900400	Hunter's Cove	-	-	-	-	-	-	-
1811200400	Northwest River Park	90,000	-	90,000	90,000	-	90,000	-
1821200400	Cornland Park	85,000	11,368	11,368	73,632	10,772	62,860	-
1841200400	Park Improvements	456,331	64,585	64,585	391,746	205,195	186,551	-
1961200400	Camelot Community Center	1,581,250	-	-	1,581,250	-	1,581,250	-
	Total Department of Parks and Recreation	11,949,799	5,740,060	1,563,700	7,303,761	4,646,038	518,424	4,127,614
	Total General construction projects	184,180,918	33,831,110	27,586,397	61,417,507	122,763,411	10,932,688	111,830,723
School capital projects:								
9050326651	Grassfield High School	64,947,510	59,367,862	5,579,648	64,947,510	-	-	-
9050326650	Grassfield High School II	2,268,331	-	-	2,268,331	494,758	1,773,573	-
	Total school capital projects	67,215,841	59,367,862	5,579,648	64,947,510	2,268,331	494,758	1,773,573
Community development projects								
3813000508	Campostella	158,806	-	35,685	35,685	123,121	-	123,121
	Total community development projects	158,806	-	35,685	35,685	123,121	-	123,121
Lease revenue bonds								
6945010194	Trustee - Jail	n/a	1,191,757	790,043	1,191,757	(1,191,757)	-	(1,191,757)
6945020196	Trustee - Courthouse	n/a	1,649,599	790,043	2,439,642	(2,439,642)	-	(2,439,642)
	Total lease revenue bonds	n/a	2,841,356	790,043	3,631,399	(3,631,399)	-	(3,631,399)
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	251,555,565	98,251,644	33,991,774	132,243,418	119,312,147	11,427,446	107,884,701
	Less completed projects	68,592,227	-	-	68,592,227	-	-	-
	Construction in progress	\$ 182,963,338	-	-	63,666,018	-	-	-

* Completed Projects
 n/a - not applicable

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Chesapeake
VIRGINIA

Special Revenue and Permanent Funds

Special Revenue Funds:

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.

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

Conference Center Fund – To account for the operation of the City's Conference Center.

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

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

Community Corrections Fund – To account for revenues and expenditures under the Virginia Community Corrections Act.

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

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.

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

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

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

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.

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, 2008

Schedule P-1

	Special Revenue Funds							Fee Supported Activities
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center	Community Development	Interagency Consortium	Community Corrections	
ASSETS								
Cash and temporary investments	\$ 4,076,388	7,379,180	462,911	2,109,417	-	2,514,732	56,219	942,105
Intergovernmental revenues due from:								
Commonwealth of Virginia	535,706	-	-	-	-	1,108,191	8,302	-
Federal government	853,973	-	-	-	256,251	-	-	-
Receivables:								
Accounts receivable	-	-	800,000	22,619	-	4,791	-	27,011
Interest receivable	-	-	-	-	-	-	-	-
Other	-	30,264	-	236,570	20,000	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Restricted Asset:								
Investment	-	-	-	-	-	-	-	-
Total assets	\$ 5,466,067	7,409,444	1,262,911	2,368,606	276,251	3,627,714	64,521	969,116
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 151,438	2,154,916	-	153,644	177,737	781,261	4,615	3,291
Deposits	-	-	-	82,435	-	-	-	-
Accrued expenditures	11,304	12,625	-	8,250	-	-	-	441
Deferred revenues	-	337,984	-	-	-	-	-	-
Due to other funds	-	-	-	-	108,769	-	-	-
Total liabilities	162,742	2,505,525	-	244,329	286,506	781,261	4,615	3,732
Fund Balances								
Reserved:								
Expendable	162,352	101,037	-	69,743	6,748	-	-	-
Unexpendable	-	-	-	-	-	-	-	-
Unreserved:								
Designated	5,140,973	4,802,882	800,000	-	(10,757)	-	-	62,506
Undesignated	5,303,525	4,903,919	462,911	2,054,534	(6,246)	2,846,453	59,906	902,878
Total fund balances	\$ 5,466,067	7,409,444	1,262,911	2,368,606	276,251	3,627,714	64,521	969,116
Total liabilities and fund balances								

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

Schedule P-1, Continued

	Special Revenue Funds					Permanent Funds			Total Nonmajor Governmental Funds
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	E-911 Operations	Chesapeake Juvenile Services	Open Space Agriculture Preservation	Poor	Carney		
ASSETS									
Cash and temporary investments	\$ 4,059,827	3,151,117	1,519,297	1,482,819	1,389,168	161,831	12,406	30,222,034	
Intergovernmental revenues due from:									
Commonwealth of Virginia:	-	-	294,707	-	1,200	-	-	1,948,106	
Federal government	-	-	3,732,752	-	-	-	-	4,842,976	
Receivables:									
Accounts receivable	-	-	-	227,889	182,125	-	-	1,264,435	
Interest receivable	-	-	-	-	-	635	197	832	
Other	-	-	-	-	-	-	-	286,834	
Due from other funds	1,664,649	-	-	-	-	-	-	1,664,649	
Restricted Asset:									
Investment	-	-	-	-	-	-	-	466,814	
Total assets	\$ 5,724,476	3,151,117	5,546,756	1,710,708	1,572,493	162,466	12,603	40,696,680	
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	3,708	32,923	102,040	6,198	18,451	-	-	3,590,222	
Deposits	-	-	-	-	-	-	-	82,435	
Accrued expenditures	773	-	3,725	1,812	17,519	-	-	56,449	
Deferred revenues	-	-	37,863	-	-	-	-	375,847	
Due to other funds	-	-	-	-	-	-	-	108,769	
Total liabilities	4,481	32,923	143,628	8,010	35,970	-	-	4,213,722	
Fund Balances									
Reserved:									
Expendable	-	2,243	161,678	4,235	-	-	-	508,036	
Unexpendable	-	-	-	-	-	11,295	1,500	12,795	
Unreserved:									
Designated	5,719,995	3,115,951	5,241,450	1,698,463	1,536,523	151,171	11,103	851,749	
Undesignated	-	-	-	-	-	-	-	35,110,378	
Total fund balances	5,719,995	3,118,194	5,403,128	1,702,698	1,536,523	162,466	12,603	36,482,958	
Total liabilities and fund balances	\$ 5,724,476	3,151,117	5,546,756	1,710,708	1,572,493	162,466	12,603	40,696,680	

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2008

Special Revenue Funds										
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center	Community Development	Intergovernmental Consortium	Community Corrections	Fee Supported Activities		
REVENUES										
Taxes on real property	-	-	-	-	-	-	-	-	-	-
Consumer telephone tax E-911	-	-	-	-	-	-	-	-	-	-
Restaurant food tax	-	-	-	1,777,938	-	-	-	-	-	-
Lodging sales tax	-	-	-	502,599	-	-	-	-	-	-
Lodging flat tax	-	-	-	593,218	-	-	-	-	-	-
Revenues from use of property	-	-	-	357,948	-	-	-	-	-	-
Intergovernmental revenues:										
Commonwealth of Virginia	5,111,375	7,090,435	-	-	-	2,039,070	469,016	-	-	-
Federal government	8,704,473	1,156,798	-	-	1,967,727	-	-	-	-	-
Recovered costs	62,374	4,101	-	3,545	-	33,589	-	-	23,339	-
Investment income	226,400	311,524	11,770	88,049	-	105,545	2,373	-	39,770	-
Charges for services	6,441	3,456,437	-	542,754	-	2,915	-	-	209,800	-
Sale of food and beverages	-	-	-	1,703,696	-	-	-	-	-	-
Miscellaneous local revenues	264	-	-	604	-	-	-	-	-	-
Program income	-	-	-	-	140,431	-	-	-	-	-
Total revenues	\$ 14,111,327	12,019,295	11,770	5,570,351	2,108,158	2,181,119	471,389	-	272,909	-
EXPENDITURES										
Current:										
General government	-	-	-	4,171,924	-	-	552,395	-	-	-
Public safety	-	-	-	-	-	-	-	-	101,104	-
Public works	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-
Public welfare	19,472,052	16,000,699	25	-	1,673,953	3,930,168	-	-	-	-
Capital outlay	-	17,739	-	-	-	-	-	-	-	-
Debt service	-	-	323,242	-	392,136	-	-	-	-	-
Total expenditures	19,472,052	16,018,438	323,267	4,171,924	2,066,089	3,930,168	552,395	-	101,104	-
Excess (deficiency) of revenues over (under) expenditures	(5,360,725)	(3,999,143)	(311,497)	1,398,427	42,069	(1,749,049)	(81,006)	-	171,805	-
OTHER FINANCING SOURCES(USES)										
Transfers from other funds	6,627,714	6,498,628	1,123,257	-	-	1,994,705	30,684	-	51,663	-
Transfers to other funds	(249,402)	(1,458,775)	-	(722,158)	(35,685)	(105,545)	(2,373)	-	(39,770)	-
Transfers to component unit	-	(1,040,243)	-	-	-	-	-	-	-	-
Total other financing sources(uses)	6,378,312	3,999,610	1,123,257	(722,158)	(35,685)	1,889,160	28,311	-	11,893	-
Net change in fund balance	1,017,587	467	811,760	676,269	6,384	140,111	(52,695)	-	183,698	-
Fund balance - beginning	4,285,738	4,903,432	451,151	1,448,008	(16,639)	2,706,342	112,601	-	781,686	-
Fund balance - ending	\$ 5,303,325	4,903,919	1,262,911	2,124,277	(10,255)	2,846,453	59,906	-	965,384	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-2, Continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2008

	Special Revenue Funds					Permanent Funds			Total Nonmajor Governmental Funds
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Grants	E-911 Operations	Chesapeake Juvenile Services	Open Space Agriculture Preservation	Poor	Carney	
REVENUES									
Taxes on real property	\$ 3,793,169	3,827,645	-	-	-	-	-	-	7,620,814
Consumer telephone tax E-911	-	-	-	1,226	-	-	-	-	1,226
Restaurant food tax	-	-	-	-	-	-	-	-	1,777,938
Lodging sales tax	-	-	-	-	-	-	-	-	502,599
Lodging flat tax	-	-	-	-	-	-	-	-	593,218
Revenues from use of property	-	-	-	-	-	-	-	-	357,948
Intergovernmental revenues:									
Commonwealth of Virginia	-	-	2,772,847	1,309,548	2,966,398	-	-	-	21,758,689
Federal government	-	-	3,921,049	-	1,750,842	-	-	-	15,750,047
Recovered costs	-	-	16,902	-	-	-	-	-	1,894,692
Investment income	-	-	93,849	62,596	-	64,832	7,614	386	1,014,708
Charges for services	-	-	62,174	-	-	-	-	-	4,280,521
Sale of food and beverages	-	-	-	-	-	-	-	-	1,703,696
Miscellaneous local revenues	-	-	245,800	-	-	-	-	-	246,668
Program income	-	-	-	-	-	-	-	-	140,431
Total revenues	\$ 3,793,169	3,827,645	7,112,621	1,373,370	4,717,240	64,832	7,614	386	57,643,195
EXPENDITURES									
Current:									
General government	\$ 423,218	123,488	2,032,904	-	6,551,202	-	-	-	13,855,131
Public safety	-	-	2,971,665	4,990,580	-	-	-	-	8,063,349
Public works	-	-	332,807	-	-	-	-	-	332,807
Parks	-	-	291,984	-	-	-	-	-	291,984
Public welfare	-	-	443,787	-	-	-	-	-	41,520,684
Capital outlay	-	-	1,735,828	871,540	-	300,000	-	-	2,925,107
Debt service	-	-	-	-	-	-	-	-	715,378
Total expenditures	423,218	123,488	7,808,975	5,862,120	6,551,202	300,000	-	-	67,704,440
Excess (deficiency) of revenues over (under) expenditures	3,369,951	3,704,157	(696,354)	(4,488,750)	(1,833,962)	(235,168)	7,614	386	(10,061,245)
OTHER FINANCING SOURCES(USES)									
Transfers from other funds	-	-	1,028,732	6,063,293	2,436,866	759,662	-	-	26,615,204
Transfers to other funds	(417,249)	(2,431,041)	(742,526)	(1,612,751)	-	(288,347)	-	-	(8,105,622)
Transfers to component unit	-	-	-	-	-	-	-	-	(1,040,243)
Total other financing sources(uses)	(417,249)	(2,431,041)	286,206	4,450,542	2,436,866	471,315	-	-	17,469,339
Net change in fund balance	2,952,702	1,273,116	(410,148)	(38,208)	602,904	236,147	7,614	386	7,408,094
Fund balance - beginning	2,767,293	1,845,078	5,813,276	1,740,906	933,619	1,135,284	154,852	12,217	29,074,864
Fund balance - ending	\$ 5,719,995	3,118,194	5,403,128	1,702,698	1,536,523	1,371,431	162,466	12,603	36,482,958

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Virginia Public Assistance Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 4,593,669	6,036,434	1,442,765
Federal government	8,950,472	7,779,414	(1,171,058)
Total intergovernmental revenue	13,544,141	13,815,848	271,707
Recovered costs	-	62,374	62,374
Charges for services	-	6,441	6,441
Investment income	-	226,400	226,400
Miscellaneous local revenues	-	264	264
Total revenues	13,544,141	14,111,327	567,186
OTHER FINANCING SOURCES			
Transfer from the General Fund	7,861,107	6,588,853	(1,272,254)
Transfer from other funds	38,861	38,861	-
Total other financing sources	7,899,968	6,627,714	(1,272,254)
Total revenues and other financing sources	\$ 21,444,109	20,739,041	(705,068)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Virginia Public Assistance Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Bureau of Public Assistance	\$ 4,826,454	4,414,372	-	4,414,372	412,082	-	412,082
Administration	11,479,401	10,595,982	-	10,595,982	883,419	69	883,350
Employment Service Program/VIEW	4,186,168	3,431,370	-	3,431,370	754,798	162,283	592,515
Food Stamp Administration	1,037,762	942,859	-	942,859	94,903	-	94,903
Other special programs	89,021	87,469	-	87,469	1,552	-	1,552
Total expenditures and encumbrances	\$ 21,618,806	19,472,052	-	19,472,052	2,146,754	162,352	1,984,402

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Community Services Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 907,659	874,259	(33,400)
Mental health grants	5,590,607	5,406,041	(184,566)
Mental retardation grants	911,109	810,135	(100,974)
Total from the Commonwealth of Virginia	7,409,375	7,090,435	(318,940)
From the Federal government:			
Substance abuse and mental health and retardation grant	1,177,084	1,156,798	(20,286)
Charges for services:			
Mental health fees	1,991,429	2,039,023	47,594
Mental retardation fees	1,156,815	1,238,013	81,198
Mental retardation Medicaid waivers	-	-	-
Substance abuse fees	146,000	179,401	33,401
Total charges for services	3,294,244	3,456,437	162,193
Recovered costs	-	4,101	4,101
Investment income	-	311,524	311,524
Total revenues	11,880,703	12,019,295	138,592
OTHER FINANCING SOURCES			
Transfer from the General Fund	6,495,576	6,495,576	-
Transfer from other funds	-	3,052	3,052
Total other financing sources	6,495,576	6,498,628	3,052
Total revenues and other financing source	\$ 18,376,279	18,517,923	141,644

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
EXPENDITURES - Public welfare	\$ 16,660,404	16,000,699	17,739		16,018,438	641,966	101,037	540,929
Total expenditures and encumbrances	\$ 16,660,404	16,000,699	17,739		16,018,438	641,966	101,037	540,929

CITY OF CHESAPEAKE, VIRGINIA*Schedule P-7*Conference Center Fund
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,930,000	1,777,938	(152,062)
Lodging sales tax	590,000	502,599	(87,401)
Lodging flat tax	700,000	593,218	(106,782)
Revenues from use of property	305,000	357,948	52,948
Recovered costs	1,000	3,545	2,545
Investment income	-	88,049	88,049
Charges for services	704,150	542,754	(161,396)
Sale of food and beverages	1,947,000	1,703,696	(243,304)
Miscellaneous revenue	2,000	604	(1,396)
Total revenues	\$ 6,179,150	5,570,351	(608,799)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Conference Center Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Operating	Capital Outlay	Total	Unexpended Balance			
General government	\$ 4,835,386	4,171,924	-	4,171,924	663,462	69,743	593,719	
EXPENDITURES - General government	\$ 4,835,386	4,171,924	-	4,171,924	663,462	69,743	593,719	
Total expenditures and encumbrances	\$ 4,835,386	4,171,924	-	4,171,924	663,462	69,743	593,719	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund, Fee Supported Activities Fund, Tax Increment Financing Fund - Greenbrier, Tax Increment Financing Fund - South Norfolk, Grants Fund, E-911 Operations Fund, Chesapeake Juvenile Services Fund and Open Space Agriculture Preservation Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government			
Community Development Block grant	\$ 1,272,140	1,301,044	28,904
Home Rehabilitation program	633,951	666,683	32,732
Program income	77,960	140,431	62,471
Total revenues	\$ 1,984,051	2,108,158	124,107
Interagency Consortium Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,492,239	2,039,070	546,831
Charges for services	-	2,915	2,915
Investment Income	-	139,134	139,134
Total revenues	1,492,239	2,181,119	688,880
Other financing source - transfer from the General Fund	1,994,705	1,994,705	-
Total revenues and other financing source	\$ 3,486,944	4,175,824	688,880
Community Corrections Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 469,016	469,016	-
Investment Income	-	2,373	2,373
Total revenues	469,016	471,389	2,373
Other financing source - transfer from the General Fund	30,684	30,684	-
Total revenues and other financing source	\$ 499,700	502,073	2,373
Fee Supported Activities Fund			
Revenues			
Charges for services	\$ 132,213	209,800	77,587
Recovered costs	16,925	23,339	6,414
Investment Income	-	39,770	39,770
Total revenues	149,138	272,909	123,771
Other financing source - transfer from the General Fund	51,663	51,663	-
Total revenues and other financing source	\$ 200,801	324,572	123,771
Tax Increment Financing Fund - Greenbrier			
Revenues			
Taxes on real property	\$ 3,714,422	3,793,169	78,747
Total revenues and other financing source	\$ 3,714,422	3,793,169	78,747
Tax Increment Financing Fund - South Norfolk			
Revenues			
Taxes on real property	\$ 3,782,451	3,827,645	45,194
Total revenues	3,782,451	3,827,645	45,194
Other financing source - transfer from the General Fund	-	-	-
Transfer from other funds	-	-	-
Total revenues and other financing source	\$ 3,782,451	3,827,645	45,194

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9, Continued

Fee Supported Activities Fund, Tax Increment Financing Fund - Greenbrier, Tax Increment Financing Fund - South Norfolk, Grants Fund, E-911 Operations Fund, Chesapeake Juvenile Services Fund and Open Space Agriculture Preservation Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Actual	Variance Positive (Negative)
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,593,599	2,772,847	179,248
Federal government	4,215,360	3,921,049	(294,311)
Recovered costs	-	16,902	16,902
Investment Income	165,046	93,849	(71,197)
Charges for services	60,856	62,174	1,318
Miscellaneous revenue	543,838	245,800	(298,038)
Total revenues	7,578,699	7,112,621	(466,078)
Other financing sources			
Transfer from the General Fund	708,847	698,794	(10,053)
Transfer from other funds	329,938	329,938	-
Total other financing sources	1,038,785	1,028,732	(10,053)
Total revenues and other financing source	\$ 8,617,484	8,141,353	(476,131)
E-911 Operations Fund			
Revenues			
Consumer telephone tax E-911	\$ -	1,226	1,226
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	700,000	1,309,548	609,548
Investment Income	-	62,596	62,596
Total revenues	700,000	1,373,370	673,370
Other financing sources			
Transfer from the General Fund	6,063,293	6,063,293	-
Total other financing sources	6,063,293	6,063,293	-
Total revenues and other financing sources	\$ 6,763,293	7,436,663	673,370
Chesapeake Juvenile Services Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,338,400	2,966,398	627,998
Recovered costs	2,030,339	1,750,842	(279,497)
Charges for services	-	-	-
Total revenues	4,368,739	4,717,240	348,501
Other financing sources			
Transfer from the General Fund	2,430,927	2,430,927	-
Transfer from other funds	-	5,939	5,939
Total other financing sources	2,430,927	2,436,866	5,939
Total revenues and other financing source	\$ 6,799,666	7,154,106	354,440
Open Space Agriculture Preservation Fund			
Revenues			
Investment Income	\$ -	64,832	64,832
Total revenues	-	64,832	64,832
Other financing sources			
Transfer from the General Fund	759,662	759,662	-
Total other financing sources	759,662	759,662	-
Total revenues and other financing source	\$ 759,662	824,494	64,832

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD- Twenty-Three:							
HOME program grant	\$ 493,311	486,981	-	486,981	6,330	-	6,330
Total HUD-Twenty-Three	493,311	486,981	-	486,981	6,330	-	6,330
HUD- Twenty-Four:							
CDBG program grants	268,277	106,665	-	106,665	161,612	-	161,612
HOME program grant	588,611	588,614	-	588,614	(3)	-	(3)
Total HUD-Twenty-Four	856,888	695,279	-	695,279	161,609	-	161,609
HUD- Twenty-Five:							
CDBG program grants	381,956	374,828	-	374,828	7,128	-	7,128
Section 108 debt service	3,123	3,123	-	3,123	-	-	-
HOME program grant	1,424,913	1,422,127	2,573	1,424,700	213	-	213
Total HUD-Twenty-Five	1,809,992	1,800,078	2,573	1,802,651	7,341	-	7,341
HUD- Twenty-Six:							
CDBG program grants	354,845	346,268	-	346,268	8,577	-	8,577
Section 108 debt service	347,090	347,090	-	347,090	-	-	-
HOME program grant	1,163,492	1,158,703	165	1,158,868	4,624	-	4,624
Total HUD-Twenty-Six	1,865,427	1,852,061	165	1,852,226	13,201	-	13,201
HUD- Twenty-Seven:							
CDBG program grants	296,016	296,016	-	296,016	-	-	-
Section 108 debt service	350,229	350,229	-	350,229	-	-	-
HOME program grant	1,284,093	1,210,399	48,757	1,259,156	24,937	-	24,937
Total HUD-Twenty-Seven	1,930,338	1,856,644	48,757	1,905,401	24,937	-	24,937
HUD- Twenty-Eight:							
CDBG program grants	294,832	282,396	-	282,396	12,436	-	12,436
Section 108 debt service	352,321	352,321	-	352,321	-	-	-
HOME program grant	1,126,937	742,388	98,028	840,416	286,521	-	286,521
Total HUD-Twenty-Eight	1,774,090	1,377,105	98,028	1,475,133	298,957	-	298,957
HUD- Twenty-Nine:							
CDBG program grants	1,504,819	1,477,468	6,242	1,483,710	21,109	-	21,109
Section 108 debt service	400,000	400,000	-	400,000	-	-	-
HOME program grant	697,329	517,052	104,918	621,970	75,359	-	75,359
Total HUD-Twenty-Nine	\$ 2,602,148	2,394,520	111,160	2,505,680	96,468	-	96,468

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Appropriations	Expenditures - Public Welfare			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
HUD- Thirty:								
CDBG program grants	\$ 1,419,918	753,756	17,480	771,236	648,682	-	648,682	
Section 108 debt service	467,679	477,893	(8,629)	469,264	(1,585)	-	(1,585)	
HOME program grant	811,302	134,750	135,864	270,614	540,688	-	540,688	
Total HUD-Thirty	2,698,899	1,366,399	144,715	1,511,114	1,187,785	-	1,187,785	
HUD- Thirty-One:								
CDBG program grants	737,205	662,621	19,503	682,124	55,081	380	54,701	
Section 108 debt service	380,000	310,124	69,875	379,999	1	-	1	
HOME program grant	820,080	161,455	38,578	200,033	620,047	-	620,047	
Total HUD-Thirty-One	1,937,285	1,134,200	127,956	1,262,156	675,129	380	674,749	
HUD- Thirty-Two:								
CDBG Grants	1,664,674	558,387	108,201	666,588	998,086	-	998,086	
Section 108 debt service	380,000	321,932	58,069	380,001	(1)	-	(1)	
HOME program grant	675,250	94,658	289,487	384,145	291,105	-	291,105	
Total HUD-Thirty-Two	2,719,924	974,977	455,757	1,430,734	1,289,190	-	1,289,190	
HUD- Thirty-Three:								
CDBG Grants	945,673	-	530,727	530,727	414,946	6,368	408,578	
Section 108 debt service	399,427	-	272,821	272,821	126,606	-	126,606	
HOME program grant	638,951	-	273,430	273,430	365,521	-	365,521	
Total HUD-Thirty-Three	1,984,051	-	1,076,978	1,076,978	907,073	6,368	900,705	
Total expenditures and encumbrances	\$ 20,672,353	13,938,244	2,066,089	16,004,333	4,668,020	6,748	4,661,272	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Interagency Consortium Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Contract services	\$ 3,826,840	3,741,637	-	3,741,637	85,203	-	85,203
Administrative expenses	257,972	188,531	-	188,531	69,441	-	69,441
Total expenditures and encumbrances	\$ 4,084,812	3,930,168	-	3,930,168	154,644	-	154,644

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Community Corrections Fund
 Schedule of Expenditures, Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
General government:							
Diversion services	\$ 220,662	212,402	-	212,402	8,260	-	8,260
Pre-trial services	341,060	339,994	-	339,994	1,066	-	1,066
Total expenditures and encumbrances	\$ 561,722	552,396	-	552,396	9,326	-	9,326

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Fee Supported Activities Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 250,801	101,104	-	101,104	149,697	-	149,697
Total expenditures and encumbrances	\$ 250,801	101,104	-	101,104	149,697	-	149,697

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

Tax Increment Financing Fund - Greenbrier
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 557,943	423,218	-	423,218	134,725	-	134,725
Total expenditures and encumbrances	\$ 557,943	423,218	-	423,218	134,725	-	134,725

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Tax Increment Financing Fund - South Norfolk
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 140,000	123,488	-	123,488	16,512	2,243	14,269
Total expenditures and encumbrances	\$ 140,000	123,488	-	123,488	16,512	2,243	14,269

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

Grants Fund

Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2008

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Year	Current Year				
EXPENDITURES							
General government	\$ 10,489,832	5,045,278	2,631,660	7,676,938	2,812,894	6,489	2,806,405
Public safety	21,904,040	13,965,447	4,108,737	18,074,184	3,829,856	151,612	3,678,244
Parks	1,364,268	729,650	291,984	1,021,634	342,634	3,577	339,057
Public welfare	6,231,026	4,502,802	443,787	4,946,589	1,284,437	-	1,284,437
Public Works	817,747	85,722	332,807	418,529	399,218	-	399,218
Total expenditures and encumbrances	\$ 40,806,913	24,328,899	7,808,975	32,137,874	8,669,039	161,678	8,507,361

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-17

**E-911 Operations Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008**

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 6,076,219	4,990,580	871,540	5,862,120	214,099	4,235	209,864
Total expenditures and encumbrances	\$ 6,076,219	4,990,580	871,540	5,862,120	214,099	4,235	209,864

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-18

Chesapeake Juvenile Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - General government	\$ 6,800,515	6,551,202	-	6,551,202	249,313	-	249,313
Total expenditures and encumbrances	\$ 6,800,515	6,551,202	-	6,551,202	249,313	-	249,313

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-19

Open Space Agriculture Preservation
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2008

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Prior Year	Current Year	Total	Unexpended Balance			
EXPENDITURES - General government	\$ 2,111,374	75,386	300,000	375,386	1,735,988	-	1,735,988	
Total expenditures and encumbrances	\$ 2,111,374	75,386	300,000	375,386	1,735,988	-	1,735,988	

Nonmajor Enterprise Funds

Northwest River Park Fund – To account for the operation of the City’s park concession and campground on the Northwest River. This fund is designed to be primarily self-supporting through user charges.

Jordan Bridge Fund – To account for the operation of the Jordan Bridge which was donated to the City by the South Norfolk Bridge Commission. This fund is designed to be primarily self-supporting through user charges.

Recreation Fund – To account for the operation of various City recreation, arts, and crafts programs. This fund is designed to be primarily self-supporting through fees charged to participants.



CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2008

Schedule Q-1

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and temporary investments	\$ 270,117	2,385,933	632,013	3,288,063
Receivables:				
Interest	-	15,542	-	15,542
Inventory of materials and supplies	1,794	-	8,022	9,816
Total current assets	271,911	2,401,475	640,035	3,313,421
Noncurrent assets:				
Capital assets:				
Land	-	383,694	-	383,694
Buildings	-	19,624	10,822	30,446
Improvements other than buildings	73,793	-	-	73,793
Equipment and vehicles	48,543	416,602	400,133	865,278
Infrastructure	150,284	5,050,444	-	5,200,728
Less accumulated depreciation	(79,124)	(3,861,674)	(385,789)	(4,326,587)
Total capital assets, net of accumulated depreciation	193,496	2,008,690	25,166	2,227,352
Total noncurrent assets	193,496	2,008,690	25,166	2,227,352
Total assets	\$ 465,407	4,410,165	665,201	5,540,773
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 2,882	13,605	34,419	50,906
Accrued expenses and other liabilities	277	13,141	11,014	24,432
Deferred revenues	8,904	-	124,881	133,785
Current portion of accrued vacation, sick pay, and overtime leave	2,812	24,096	2,159	29,067
Total current liabilities	14,875	50,842	172,473	238,190
Noncurrent liabilities:				
Accrued vacation, sick pay, and overtime leave	3,948	33,827	3,031	40,806
Total noncurrent liabilities	3,948	33,827	3,031	40,806
Total liabilities	18,823	84,669	175,504	278,996
Net Assets				
Invested in capital assets, net of related debt	193,496	2,008,690	25,166	2,227,352
Unrestricted	253,088	2,316,806	464,531	3,034,425
Total net assets	446,584	4,325,496	489,697	5,261,777
Total liabilities and net assets	\$ 465,407	4,410,165	665,201	5,540,773

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2008

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
REVENUES				
Charges for services:				
Tolls and tickets	\$ -	1,498,119	-	1,498,119
Rental fees	74,326	-	985	75,311
Recreation fees	18,861	-	635,889	654,750
Recovered costs	-	-	28	28
Other	14,905	3,111	79,229	97,245
Total operating revenues	108,092	1,501,230	716,131	2,325,453
OPERATING EXPENSES				
Purchases for resale	8,632	-	51,037	59,669
General and administrative	20,247	68,582	48,985	137,814
Other salaries and wages	42,757	613,631	191,060	847,448
Other fringe benefits	13,939	222,373	28,582	264,894
Other repairs and supplies	11,728	73,760	87,133	172,621
Equipment rental	240	4,953	5,235	10,428
Other contractual services	5,271	185,270	223,467	414,008
Depreciation and amortization	11,204	199,739	45,885	256,828
Total operating expenses	114,018	1,368,308	681,384	2,163,710
Operating income (loss)	(5,926)	132,922	34,747	161,743
NONOPERATING REVENUES				
Investment income	11,403	102,913	26,678	140,994
Gain on sale of equipment	95	-	-	95
Total nonoperating revenues (expenses)	11,498	102,913	26,678	141,089
Income (loss) before transfers	5,572	235,835	61,425	302,832
Transfers out	(11,403)	(496,805)	(483,009)	(991,217)
Increase (decrease) in net assets	(5,831)	(260,970)	(421,584)	(688,385)
Total net assets - beginning	452,415	4,586,466	911,281	5,950,162
Total net assets - ending	\$ 446,584	4,325,496	489,697	5,261,777

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2008

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 111,013	1,532,408	798,093	2,441,514
Payments to suppliers	(46,815)	(327,473)	(471,352)	(845,640)
Payments to employees	(55,749)	(822,973)	(207,493)	(1,086,215)
Net cash provided by operating activities	8,449	381,962	119,248	509,659
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(11,403)	(496,805)	(483,009)	(991,217)
Net cash used in noncapital financing activities	(11,403)	(496,805)	(483,009)	(991,217)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of assets	95	-	-	95
Net cash used in capital and related financing activities	95	-	-	95
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	11,403	107,475	26,678	145,556
Net cash provided by investing activities	11,403	107,475	26,678	145,556
Net increase (decrease) in cash and temporary investments	8,544	(7,368)	(337,083)	(335,907)
Cash and temporary investments beginning of year	261,573	2,393,301	969,096	3,623,970
Cash and temporary investments end of year	\$ 270,117	2,385,933	632,013	3,288,063

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3, Continued

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2008

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (5,926)	132,922	34,747	161,743
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	11,204	199,739	45,885	256,828
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	2,048	31,178	1,991	35,217
Inventory of materials and supplies	(91)	-	(830)	(921)
Accounts payable	(606)	5,092	(54,665)	(50,179)
Deferred revenues	873	-	79,971	80,844
Accrued expenses and other liabilities	(319)	5,962	10,868	16,511
Accrued vacation and sick pay	1,266	7,069	1,281	9,616
Total adjustments	14,375	249,040	84,501	347,916
Net cash provided by operating activities	\$ 8,449	381,962	119,248	509,659

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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 R-1

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Information Technology	City Garage	Self- Insurance	Total
ASSETS				
Current assets:				
Cash and temporary investments	\$ 2,781,873	9,659,101	16,010,078	28,451,052
Receivables:				
Accounts	10,333	260,617	-	270,950
Interest	-	-	106,634	106,634
Inventory of materials and supplies	-	418,454	-	418,454
Prepaid expenses	-	-	860,219	860,219
Total current assets	2,792,206	10,338,172	16,976,931	30,107,309
Noncurrent assets:				
Capital assets:				
Construction in progress	157,244	1,933,523	-	2,090,767
Buildings	-	137,019	20,930	157,949
Improvements other than buildings	228,124	170,179	-	398,303
Equipment and vehicles	9,007,275	62,434,492	56,136	71,497,903
Less accumulated depreciation	(4,177,268)	(37,440,150)	(66,791)	(41,684,209)
Total capital assets, net of accumulated depreciation	5,215,375	27,235,063	10,275	32,460,713
Total noncurrent assets	5,215,375	27,235,063	10,275	32,460,713
Total assets	\$ 8,007,581	37,573,235	16,987,206	62,568,022
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 562,595	377,592	5,287	945,474
Accrued expenses and other liabilities	1,450	32,799	-	34,249
Current portion of obligations under capital leases	398,804	2,364,702	-	2,763,506
Current portion of accrued vacation, sick pay, and overtime leave	140,877	60,153	9,060	210,090
Current portion of liability for self-insurance losses	-	-	6,361,310	6,361,310
Total current liabilities	1,103,726	2,835,246	6,375,657	10,314,629
Noncurrent liabilities:				
Obligations under capital leases	498,199	4,566,166	-	5,064,365
Accrued vacation, sick pay, and overtime leave	197,770	84,446	12,718	294,934
Liability for self-insurance losses	-	-	20,449,187	20,449,187
Total noncurrent liabilities	695,969	4,650,612	20,461,905	25,808,486
Total liabilities	1,799,695	7,485,858	26,837,562	36,123,115
Net Assets				
Invested in capital assets, net of related debt	4,371,214	20,304,195	10,275	24,685,684
Unrestricted (deficit)	1,836,672	9,783,182	(9,860,631)	1,759,223
Total net assets (deficit)	6,207,886	30,087,377	(9,850,356)	26,444,907
Total liabilities and net assets	\$ 8,007,581	37,573,235	16,987,206	62,568,022

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2008

	Information Technology	City Garage	Self- Insurance	Total
REVENUES				
Billings to departments	\$ 8,158,502	16,399,380	6,981,292	31,539,174
Billings to outside agencies & component units	954,694	1,277,571	-	2,232,265
Recovered costs	29,162	57,696	291,976	378,834
Total operating revenues	9,142,358	17,734,647	7,273,268	34,150,273
OPERATING EXPENSES				
Cost of materials billed	-	5,342,490	-	5,342,490
Purchases for resale	-	1,615,094	-	1,615,094
General and administrative	435,765	465,246	15,569	916,580
Other salaries and wages	3,262,099	1,584,507	188,708	5,035,314
Other fringe benefits	1,122,696	676,116	72,550	1,871,362
Self-insurance losses	-	-	6,003,346	6,003,346
Indemnity and medical claims	-	-	3,311,119	3,311,119
Other repairs and supplies	2,523,247	1,052,908	10,436	3,586,591
Equipment rental	297,626	29,202	2,093	328,921
Other contractual services	673,955	262,391	60,041	996,387
Depreciation and amortization	1,536,659	4,313,729	522	5,850,910
Insurance premiums	-	-	1,214,311	1,214,311
Other	-	-	-	-
Total operating expenses	9,852,047	15,341,683	10,878,695	36,072,425
Operating income (loss)	(709,689)	2,392,964	(3,605,427)	(1,922,152)
NONOPERATING REVENUES (EXPENSES)				
Investment income	117,435	407,752	583,425	1,108,612
Interest expense	(43,184)	(296,979)	-	(340,163)
Gain on sale of equipment	-	131,958	-	131,958
Loss on sale of equipment	-	(163,952)	-	(163,952)
Total nonoperating revenue (expenses)	74,251	78,779	583,425	736,455
Income (loss) before transfers and contributions	(635,438)	2,471,743	(3,022,002)	(1,185,697)
Transfers in (note 8)	410,000	4,373,941	3,205,827	7,989,768
Transfers out (note 8)	(117,435)	(430,180)	-	(547,615)
Capital Contributions	-	524,392	-	524,392
Increase (decrease) in net assets	(342,873)	6,939,896	183,825	6,780,848
Total net assets (deficit) - beginning	6,550,759	23,147,481	(10,034,181)	19,664,059
Total net assets (deficit) - ending	\$ 6,207,886	30,087,377	(9,850,356)	26,444,907

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008

	Information Technology	City Garage	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,132,196	17,533,837	7,273,268	33,939,301
Payments to suppliers	(3,919,532)	(8,900,029)	(8,950,350)	(21,769,911)
Payments to employees	(4,373,469)	(2,233,068)	(258,063)	(6,864,600)
Net cash provided (used) by operating activities	839,195	6,400,740	(1,935,145)	5,304,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	410,000	4,373,941	3,205,827	7,989,768
Transfers out	(117,435)	(430,180)	-	(547,615)
Repayment of obligations under capital leases for equipment not capitalized	(61,617)	-	-	(61,617)
Net cash used in noncapital financing activities	230,948	3,943,761	3,205,827	7,380,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(788,638)	(6,811,845)	-	(7,600,483)
Interest paid	(43,184)	(296,975)	-	(340,159)
Repayment of obligations under capital leases	(324,699)	(2,552,979)	-	(2,877,678)
Proceeds from sale of capital assets	-	185,896	-	185,896
Net cash used in capital and related financing activities	(1,156,521)	(9,475,903)	-	(10,632,424)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	117,435	407,752	595,651	1,120,838
Net cash provided by investing activities	117,435	407,752	595,651	1,120,838
Net increase in cash and temporary investments	31,057	1,276,350	1,866,333	3,173,740
Cash and temporary investments beginning of year	2,750,816	8,382,751	14,143,745	25,277,312
Cash and temporary investments end of year	\$ 2,781,873	9,659,101	16,010,078	28,451,052

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3, Continued

Combining Statement of Cash Flows
 Internal Service Funds
 Year Ended June 30, 2008

	Information Technology	City Garage	Self-Insurance	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (709,689)	2,392,964	(3,605,427)	(1,922,152)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,536,659	4,313,729	522	5,850,910
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	(10,162)	(200,810)	-	(210,972)
Inventory of materials and supplies	-	17,218	-	17,218
Prepaid expenses and other assets	-	-	12,237	12,237
Accounts payable	28,307	(149,916)	(15,403)	(137,012)
Accrued expenses and other liabilities	(17,246)	15,747	1,669,731	1,668,232
Accrued vacation and sick pay	11,326	11,808	3,195	26,329
Total adjustments	1,548,884	4,007,776	1,670,282	7,226,942
Net cash provided (used) by operating activities	\$ 839,195	6,400,740	(1,935,145)	5,304,790
Supplemental information on significant noncash transactions:				
Borrowing under capital leases:				
Information Technology	\$ 93,988			
City Garage		715,087		

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

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Chesapeake
VIRGINIA

Fiduciary Fund Financial Statement

Agency Fund:

Special Welfare Fund – To account for the transfer of funds provided by the Virginia Public Assistance Fund for aid to dependent children.

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule S

Statement of Changes in Assets and Liabilities
 Special Welfare Fund
 Year Ended June 30, 2008

	Balances at July 1, 2007	Additions	Deductions	Balances at June 30, 2008
ASSETS				
Cash and temporary investments	\$ 20,256	43,048	36,887	26,417
Total current assets	\$ 20,256	43,048	36,887	26,417
LIABILITIES				
Due to children under foster care	\$ 20,256	43,048	36,887	26,417
Total liabilities	\$ 20,256	43,048	36,887	26,417

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Chesapeake
VIRGINIA

Other Component Units

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Assets
 Other Component Units
 June 30, 2008

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 6,511,222	2,563
Inventory of materials and supplies	605,655	-
Total current assets	7,116,877	2,563
Total assets	\$ 7,116,877	2,563
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ 132,084	-
Total current liabilities	132,084	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	132,084	944,407
Fund Balance		
Reserved:		
Encumbrances	369,150	-
Inventory	605,655	-
Future capital improvements	1,190,821	-
Unreserved	4,819,166	-
Net Assets		
Unrestricted	-	(941,844)
Total fund balance and net assets	6,984,792	(941,844)
Total liabilities, fund balance, and net assets	\$ 7,116,876	2,563
Reconciliation to Net Assets:		
Total fund balance	\$ 6,984,792	
Capital assets - net of depreciation	3,230,113	
Net Assets	\$ 10,214,905	

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-2

Statement of Revenue, Expenditures, and Changes in Fund Balance
 Other Component Units
 Year Ended June 30, 2008

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 6,374,365
Investment income	189,855
Other	1,021
Total operating revenues	6,565,241
OPERATING EXPENSES	
Other salaries and wages	2,086,185
Other fringe benefits	868,461
Other repairs and supplies	487,572
Insurance premiums	265,800
Capital outlay	218,696
Payments to the General Government	300,000
Other	379,324
Total expenditures	4,606,038
Excess of revenues over expenditures	1,959,203
NONOPERATING REVENUE	
Gain on sale of equipment	12,145
Total nonoperating revenue	12,145
Fund balance - beginning	5,013,445
Fund balance - ending	\$ 6,984,793
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.	
Change in fund balance	\$ 1,971,348
Depreciation expense	(208,647)
Capital outlay expenditures	218,696
Change in Net Assets	\$ 1,981,397

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

Statement of Revenue, Expenditures, and Changes in Fund Net Assets
Other Component Units
Year Ended June 30, 2008

	Chesapeake Port Authority	
OPERATING EXPENSES		
General and administrative	\$	15,404
Total operating expenditures		15,404
Operating loss		(15,404)
NONOPERATING REVENUES		
Investment income		10
Appropriations from the City		13,959
Total nonoperating revenues		13,969
Increase (decrease) in net assets		(1,435)
Net assets - beginning		(940,409)
Net assets - ending	\$	(941,844)

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-4

Statement of Cash Flows
 Other Component Units
 Year Ended June 30, 2008

	Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES	\$ (15,881)
Payments to suppliers	
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	13,959
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Investment income	10
Net increase in cash and temporary investments	(1,912)
Cash and temporary investments beginning of year	4,475
Cash and temporary investments end of year	\$ 2,563
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (15,404)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts payable	(477)
Net cash used in operating activities	\$ (15,881)

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Chesapeake
VIRGINIA

STATISTICAL SECTION

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information begin in that year.



Net Assets by Component
Last Seven Fiscal Years - Unaudited

	Fiscal Years			
	2002	2003	2004	2005
Governmental Activities				
Invested in capital assets, net of related debt	\$ 539,948,528	544,936,380	563,288,318	588,733,474
Restricted for:				
Capital projects	8,083,703	7,989,225	11,735,419	9,684,866
Debt service	15,682,603	15,626,869	15,699,358	10,976,974
Other purposes:				
Expendable	2,489,268	3,668,508	5,947,315	1,270,039
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	91,868,082	98,889,061	104,355,168	158,375,919
Total governmental activities net assets	\$ 658,084,979	671,122,838	701,038,373	769,054,067
Business Type Activities				
Invested in capital assets, net of related debt	\$ 228,743,587	237,029,324	228,068,375	249,688,287
Restricted for:				
Capital projects	1,486,345	2,152,881	2,636,724	2,061,689
Debt service	7,118,289	5,948,680	6,789,536	5,710,688
Other purposes:				
Expendable	38,257,791	36,571,541	51,110,767	38,493,631
Unrestricted	1,479,914	1,180,559	1,169,678	1,986,705
Total business-type activities net assets	\$ 277,085,926	282,882,985	289,775,080	297,941,000
Primary Government				
Invested in capital assets, net of related debt	\$ 768,692,115	781,965,704	791,356,693	838,421,761
Restricted for:				
Capital projects	9,570,048	10,142,106	14,372,143	11,746,555
Debt service	22,800,892	21,575,549	22,488,894	16,687,662
Other purposes:				
Expendable	40,747,059	40,240,049	57,058,082	39,763,670
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	93,347,996	100,069,620	105,524,846	160,362,624
Total primary government net assets	\$ 935,170,905	954,005,823	990,813,453	1,066,995,067
Component Units				
Invested in capital assets, net of related debt	\$ 55,519,786	68,023,154	72,780,433	76,186,297
Restricted for:				
Capital projects	11,127,232	8,992,924	8,533,984	6,602,465
Other purposes:				
Expendable	1,720,719	1,882,000	1,866,409	
Unrestricted	(6,741,990)	(10,675,859)	(13,647,190)	(10,102,135)
Total component units net assets	\$ 61,625,747	68,222,219	69,533,636	72,686,627

¹ Ten years of information not available. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Table 1, Continued

Fiscal Years		
2006	2007	2008
649,736,620	666,474,648	684,361,590
6,604,716	8,818,429	8,353,966
7,585,894	9,498,240	6,836,388
32,080,786	39,740,870	44,031,261
12,795	12,795	12,795
175,198,047	193,675,640	199,553,990
871,218,858	918,220,622	943,149,990
254,349,571	263,256,688	275,037,856
3,260,963	3,053,741	2,919,414
5,532,370	4,987,244	4,995,386
46,287,418	55,711,887	66,957,564
1,619,932	2,492,078	1,956,411
311,050,254	329,501,638	351,866,631
904,086,191	929,731,336	959,399,446
9,865,679	11,872,170	11,273,380
13,118,264	14,485,484	11,831,774
78,368,204	95,452,179	110,988,825
12,795	12,795	12,795
176,817,979	196,167,718	201,510,401
1,182,269,112	1,247,721,682	1,295,016,621
84,249,220	97,490,222	124,861,846
5,669,625	32,955,766	23,851,420
		2,010,154
(13,520,512)	(8,265,134)	(52,681,911)
76,398,333	122,180,854	98,041,509

Changes in Net Assets
Last Seven Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Program Revenues			
Governmental activities:			
Charges for Services:			
General government	\$ 9,437,972	11,271,768	12,610,106
Public safety	3,856,216	4,581,012	4,487,073
Public works	1,047,905	893,075	1,266,418
Parks	136,676	115,118	133,233
Public welfare	1,783,245	2,036,441	2,235,788
Operating grants and contributions	71,087,965	70,035,588	88,508,739
Capital grants and contributions	8,709,059	13,475,575	18,544,379
Total governmental activities program revenues	\$ 96,059,038	102,408,577	127,785,736
Business-type activities:			
Charges for Services:			
Public Utilities	\$ 34,632,317	34,453,540	39,898,644
Chesapeake Expressway	4,368,653	6,249,849	6,678,718
Stormwater Management	1,111,604	4,424,005	4,532,744
Northwest River Park	125,909	105,798	102,271
Jordan Bridge	5,869,474	1,104,234	1,089,250
Recreation	542,970	574,164	570,169
Operating grants and contributions	1,939,415	998,269	997,162
Capital grants and contributions	6,121,552	8,258,622	5,959,652
Total business-type program revenues	\$ 54,711,894	56,168,481	59,828,610
Total primary government program revenues	\$ 150,770,932	158,577,058	187,614,346
Component Units			
Charges for Services:			
Public Schools	\$ 6,617,048	7,174,775	7,536,856
Chesapeake Mosquito Control Commission (1)	3,289,893	3,427,738	-
Economic Development Authority	40,823	300,000	-
Chesapeake Port Authority	32,500	234,252	-
Chesapeake Airport Authority	180,231	-	273,697
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Operating grants and contributions	51,600,015	56,775,219	55,723,417
Capital grants and contributions	3,541,036	1,318,018	2,216,117
Total component unit program revenues	\$ 65,301,546	69,230,002	65,750,087
Total primary government and component units program revenues	\$ 216,072,478	227,807,060	253,364,433
Expenses			
Governmental activities:			
General government	\$ 84,448,270	80,503,601	107,595,440
Public safety	64,783,649	65,792,095	73,556,936
Public works	36,157,109	37,462,813	36,681,770
Parks	8,505,832	9,346,534	8,871,362
Public welfare	34,782,299	32,721,747	33,963,274
Education	127,641,137	134,217,915	134,528,877
Interest on long term debt	22,917,657	21,747,106	21,435,242
Depreciation and amortization - net unallocated portion	20,330,313	20,499,181	20,634,855
Total governmental activities	\$ 399,566,266	402,290,992	437,267,756

Table 2, Continued

Fiscal Years			
2005	2006	2007	2008
12,691,638	11,164,814	11,622,631	11,413,581
5,140,050	5,975,514	6,128,427	6,025,679
1,379,049	1,331,973	1,285,196	1,460,197
174,071	74,469	74,480	79,588
2,121,147	2,635,982	2,715,215	3,466,956
77,669,726	90,120,716	91,298,815	99,583,775
35,617,170	27,830,644	13,814,033	11,219,370
134,792,851	139,134,112	126,938,797	133,249,146
39,725,069	42,572,239	47,743,685	52,591,554
6,911,794	7,074,711	7,375,691	7,217,160
4,600,299	4,713,008	6,645,062	10,580,469
138,998	128,933	120,954	108,187
1,649,017	1,538,705	1,591,275	1,501,230
630,819	694,222	711,779	716,131
1,248,956	1,858,181	2,878,949	2,591,258
8,134,879	10,928,051	13,419,662	15,845,647
63,039,831	69,508,050	80,487,057	91,151,636
197,832,682	208,642,162	207,425,854	224,400,782
7,287,354	7,870,493	8,398,845	8,227,885
-	-	-	-
-	-	-	-
-	-	-	-
278,615	361,632	371,644	391,022
-	-	-	64,151
67,183,629	76,851,214	86,696,917	87,790,467
2,181,385	1,343,384	1,922,839	1,907,684
76,930,983	86,426,723	97,390,245	98,381,209
274,763,665	295,068,885	304,816,099	322,781,991
102,155,781	101,278,295	117,954,878	135,964,547
71,944,068	77,947,397	82,617,025	93,861,996
40,171,186	40,314,100	44,270,405	52,669,486
4,040,492	6,417,776	6,747,501	7,553,891
37,546,666	38,702,645	40,178,450	43,104,880
143,874,317	157,328,449	209,181,274	212,504,699
19,215,361	19,785,611	20,504,113	20,048,717
21,051,803	21,445,311	22,485,199	22,321,802
439,999,674	463,219,584	543,938,845	588,030,018

(Continued)

Changes in Net Assets
Last Seven Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Expenses (Continued)			
Business-type activities:			
Public Utilities	\$ 35,894,396	36,267,069	38,593,511
Chesapeake Expressway	2,399,388	8,956,642	8,730,072
Stormwater Management	985,979	2,665,521	3,391,274
Northwest River Park	94,993	96,570	83,006
Jordan Bridge	7,999,192	905,821	1,260,395
Recreation	424,166	590,973	537,006
Total business-type activities	\$ 47,798,114	49,482,596	52,595,264
Total primary government	\$ 447,364,380	451,773,588	489,863,020
Component units			
Public Schools	\$ 276,048,977	300,984,185	317,127,950
Chesapeake Mosquito Control Commission	2,861,611	3,381,853	3,593,597
Economic Development Authority	3,003,184	3,342,738	3,147,811
Chesapeake Port Authority	31,159	-	400
Chesapeake Airport Authority	984,715	1,035,264	1,173,685
Elizabeth River Properties of Chesapeake, Inc.	-	-	-
Total component units	\$ 282,929,646	308,744,040	325,043,443
Net (Expense)/Revenue			
Governmental activities	\$ (303,507,228)	\$ (299,882,415)	\$ (309,482,020)
Business-type activities	6,913,780	6,685,885	7,233,346
Total primary government net expense	\$ (296,593,448)	\$ (293,196,530)	\$ (302,248,674)
Total component units net expense	\$ (217,628,100)	\$ (239,514,038)	\$ (259,293,356)
General Revenue and Other Changes in Net Assets			
Governmental activities:			
Taxes (2):			
Property taxes, levied for general purposes	\$ 172,104,542	186,726,025	205,187,258
Other local taxes	26,121,116	n/a	n/a
Public service taxes	17,068,149	n/a	n/a
Sales taxes	15,191,835	n/a	n/a
Local sales and use taxes	n/a	26,452,698	29,744,620
Business license taxes	n/a	17,532,069	19,351,581
Consumer utility taxes	n/a	17,200,898	19,820,181
Other taxes	27,831,303	33,468,540	33,974,457
Grants and contributions not restricted to specific programs	28,089,957	28,323,399	29,354,088
Unrestricted investment earnings	3,064,209	1,549,235	1,307,168
Miscellaneous	2,066,037	676,900	255,430
Loss on disposition of assets	(15,126)	(46,502)	-
Transfers	1,195,621	1,037,012	402,772
Total general activities revenues & transfers	\$ 292,717,643	312,920,274	339,397,555
Business-type activities:			
Unrestricted investment earnings	\$ 24,842	148,186	61,521
Transfers	(1,195,621)	(1,037,012)	(402,772)
Total business-type activities revenues & transfers	\$ (1,170,779)	(888,826)	(341,251)
Total primary government revenues & transfers	\$ 291,546,864	312,031,448	339,056,304

Table 2, Continued

Fiscal Years			
2005	2006	2007	2008
39,964,142	41,565,116	45,326,237	49,066,651
8,822,878	9,353,137	10,069,048	9,353,126
3,578,748	3,244,651	3,504,445	6,200,482
103,767	110,101	108,625	114,018
1,111,030	1,082,663	1,149,121	1,368,308
629,371	665,589	666,376	681,384
54,209,936	56,021,257	60,823,852	66,783,969
494,209,610	519,240,841	604,762,698	654,813,987
348,832,222	374,191,792	413,008,600	495,669,077
3,606,347	4,137,568	4,558,222	4,595,989
2,760,873	5,105,041	5,120,015	3,529,822
2,000	12,984	14,672	15,404
1,151,836	1,202,651	1,421,866	1,295,891
-	-	-	70,361
356,353,278	384,650,036	424,123,375	505,176,544
\$ (305,206,823)	\$ (324,085,472)	\$ (417,000,048)	(454,780,872)
8,829,895	13,486,793	19,663,205	24,367,667
\$ (296,376,928)	\$ (310,598,679)	\$ (397,336,843)	(430,413,205)
\$ (279,422,295)	\$ (298,223,313)	\$ (326,733,130)	(406,795,335)
224,842,486	260,070,410	290,780,794	306,455,101
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a
31,989,281	34,355,722	35,952,042	35,091,242
21,461,924	23,853,491	24,170,737	24,381,697
20,087,144	20,203,462	21,166,147	23,556,638
38,078,922	41,289,606	41,880,370	41,183,079
31,790,594	33,769,560	32,178,481	31,527,350
3,132,655	8,312,030	13,435,389	11,268,317
990,374	3,906,011	3,101,211	4,103,726
-	-	-	-
849,137	489,971	1,336,063	2,143,668
373,222,517	426,250,263	464,001,234	479,710,818
185,162	112,432	124,242	140,994
(849,137)	(489,971)	(1,336,063)	(2,143,668)
(663,975)	(377,539)	(1,211,821)	(2,002,674)
372,558,542	425,872,724	462,789,413	477,708,144

(Continued)

Changes in Net Assets
Last Seven Fiscal Years - Unaudited

	Fiscal Years		
	2002	2003	2004
Component Units:			
Payment from City	\$ 120,484,322	127,255,113	126,876,092
Grants and contributions not restricted to specific programs	110,076,825	118,549,819	132,018,587
Unrestricted investment earnings	68,678	24,185	9,668
Miscellaneous	19,588	271,971	1,700,426
Gain (loss) on disposition of assets	(315,750)	9,422	-
Total component units	\$ 230,333,663	246,110,510	260,604,773
Change in Net Assets			
Governmental activities	\$ (10,789,585)	13,037,859	29,915,535
Business-type activities	5,743,001	5,797,059	6,892,095
Total primary government net change in net assets	\$ (5,046,584)	18,834,918	36,807,630
Component Units	\$ 12,705,563	6,596,472	1,311,417

Notes: Ten years of information not available. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

¹ Change in presentation for Mosquito Control revenue beginning in 2004.

² Change in presentation for tax revenue beginning in 2003.

Table 2, Continued

Fiscal Years			
2005	2006	2007	2008
136,398,571	150,652,116	202,519,335	204,566,937
145,451,853	149,142,199	166,996,775	170,014,139
73,136	1,204,100	2,410,518	4,065,837
651,726	936,605	589,023	2,747,274
-	-	-	-
282,575,286	301,935,020	372,515,651	381,394,187
68,015,694	102,164,791	47,001,186	24,929,946
8,165,920	13,109,254	18,451,384	22,364,993
76,181,614	115,274,045	65,452,570	47,294,939
3,152,991	3,711,707	45,782,521	(25,401,148)

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Fund Balances, Governmental Funds,
Last Ten Fiscal Years - Unaudited

Table 3

	Fiscal Years				
	1999	2000	2001	2002	2003
General Fund					
Reserved:					
Expendable	\$ 17,422,218	\$ 15,431,465	\$ 14,233,897	\$ 6,426,892	\$ 5,233,480
Unreserved:					
Designated for cash flow emergencies	17,542,113	18,902,848	19,847,762	20,571,440	22,079,730
Designated for operating emergencies	-	-	16,505,980	16,505,980	16,505,980
Designated - General Fund	186,538	3,068,624	1,453,683	3,988,991	1,520,106
Undesignated	27,346,818	35,849,589	19,671,195	10,470,970	17,105,425
Total general fund	62,497,687	73,252,526	71,712,517	57,964,273	62,444,721
All Other Governmental Funds					
Reserved:					
Expendable	33,824,229	30,796,614	28,244,640	22,279,871	20,963,764
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	14,410,752	17,561,581	21,919,014	21,793,882	22,072,376
Designated for construction projects	29,136,998	20,676,532	17,086,910	25,741,923	38,131,214
Designated - Special Revenue Funds	-	321,747	47	47	225,097
Undesignated - Capital Projects Fund	-	-	6,246,288	5,679,332	-
Undesignated - Special Revenue Funds	4,900,488	6,633,379	-	-	7,529,476
Undesignated - Permanent Funds	110,441	117,017	125,548	-	-
Total all other governmental funds	82,395,703	76,119,665	73,635,242	75,507,850	88,934,722
Total Governmental Funds	\$ 144,893,390	\$ 149,372,191	\$ 145,347,759	\$ 133,472,123	\$ 151,379,443

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

¹ Total Governmental Funds Expendable minus General Fund expendable

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

	1999	2000	2001	2002	2003
REVENUES					
General property taxes	\$ 160,541,780	164,829,570	166,443,901	173,500,445	187,609,314
Other local taxes	77,120,862	80,304,129	84,245,486	86,212,403	94,654,205
Licenses, permits, and fees	2,110,755	1,976,338	1,749,404	1,897,261	1,969,790
Fines and forfeitures	1,723,467	1,901,936	1,753,633	2,154,515	2,416,446
Investment income	8,003,368	6,818,853	8,641,916	4,249,510	2,150,796
Revenues from use of property	696,331	706,420	734,009	363,907	340,415
Charges for services	8,380,344	9,534,311	10,560,675	10,580,604	11,361,018
Miscellaneous local revenues	419,218	1,272,094	1,365,849	1,082,857	342,431
Recovered costs	3,865,889	4,043,245	3,713,818	4,851,799	4,412,312
Program income	-	-	-	716,253	407,175
Revenues from local developers	660,513	570,665	651,519	899,776	636,732
Intergovernmental revenues:					
Commonwealth of Virginia	58,378,224	65,704,907	75,077,885	81,956,131	83,417,285
Federal government	16,936,459	13,353,705	12,205,666	13,735,228	15,930,534
Mosquito Control Commission	-	-	-	-	-
Chesapeake Public Schools	-	-	-	1,497,066	920,741
Other localities	-	-	20,000	-	-
Total revenues	\$ 338,837,210	351,016,173	367,163,761	383,697,755	406,569,194
EXPENDITURES					
Current:					
General government	\$ 65,776,798	69,593,718	73,731,655	79,542,562	79,234,484
Public safety	45,866,887	49,096,314	52,129,599	63,579,124	64,901,277
Public works	33,233,637	33,970,570	35,047,846	39,440,560	38,551,088
Parks	7,013,219	7,962,211	7,967,933	8,539,053	7,932,242
Public welfare	27,548,403	29,883,922	30,794,751	34,694,601	32,916,436
Public welfare - Payment to Elizabeth River Properities of Chesapeake, Inc.					
Education - Payments to Public Schools	-	-	-	121,225,833	127,635,002
Capital outlay ²	73,657,201	21,123,946	19,676,289	19,350,133	13,885,628
Debt service:					
Principal	15,276,591	13,590,131	21,530,560	24,435,865	22,935,196
Interest	23,085,361	23,271,407	23,784,635	23,074,156	22,431,441
Total expenditures	291,458,097	248,492,219	264,663,268	413,881,887	410,422,794
Excess (deficiency) of revenues over (under) expenditures	\$ 47,379,113	102,523,954	102,500,493	(30,184,132)	(3,853,600)

Table 4, Continued

Fiscal Years				
2004	2005	2006	2007	2008
203,503,495	224,815,562	254,570,961	287,428,178	303,752,471
102,890,839	111,617,271	115,380,212	117,811,881	118,584,264
2,495,770	2,900,145	7,422,144	8,267,568	8,320,450
2,440,972	2,929,501	3,587,702	3,284,658	3,571,138
1,363,374	3,361,642	7,628,030	12,277,373	10,159,705
428,172	402,355	692,489	752,247	821,971
12,026,360	12,586,752	13,094,005	14,430,213	15,356,589
394,904	701,593	1,181,755	2,111,967	2,579,045
4,087,899	3,522,595	3,039,786	2,235,212	2,452,331
284,699	172,643	179,969	196,657	140,431
1,011,455	1,737,131	2,360,155	1,539,730	1,088,464
89,547,556	91,882,899	99,075,408	101,746,899	107,129,160
29,013,323	17,469,444	19,257,416	16,213,096	18,721,428
-	-	300,000	300,000	300,000
1,318,184	2,252,275	3,461,393	3,050,079	4,456,580
-	-	-	-	-
450,807,002	476,351,808	531,231,425	571,645,758	597,434,027
105,434,018	96,583,251	99,715,504	104,994,583	114,701,994
65,491,774	70,474,672	76,643,995	83,176,840	91,538,720
38,461,949	41,022,326	42,423,515	47,655,696	52,950,476
8,741,202	3,932,120	6,373,828	6,910,347	7,827,906
33,987,999	37,357,981	37,860,700	39,744,863	41,520,684
				1,040,243
127,774,672	137,190,122	150,652,116	202,519,335	204,566,937
15,599,421	34,960,257	51,450,380	44,627,098	37,665,536
25,577,280	26,854,851	29,135,993	30,420,147	33,226,719
21,393,424	19,760,635	19,369,437	21,508,440	20,321,152
442,461,739	468,136,215	513,625,468	581,557,349	605,360,367
8,345,263	8,215,593	17,605,957	(9,911,591)	(7,926,340)

(Continued)

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

	1999	2000	2001	2002	2003
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	\$ 60,993,298	54,546,154	64,673,482	63,756,863	61,746,888
Proceeds from equipment capital leases	-	-	265,708	9,104,490	-
Transfers from component units	4,462,689	2,511,513	1,641,798	-	-
Proceeds from line of credit	227,971	-	-	-	-
Lease revenue bond issued	-	-	-	-	-
Section 108 loan funds	-	-	-	-	-
General obligation bonds issued	21,500,000	89,289	6,883,019	60,771,601	102,825,000
General obligation refunding bonds issued	-	-	-	-	-
Transfers to other funds	(63,037,533)	(51,522,171)	(66,709,904)	(64,551,515)	(61,580,997)
Transfer to component units	(98,729,336)	(103,676,514)	(113,126,514)	-	-
Payment to refunded bond escrow agent	-	-	-	(54,308,889)	(89,449,965)
Premiums on general obligation bonds issued	-	-	-	3,535,946	8,219,994
Premiums on refunding bonds issued	-	-	-	-	-
VPSA bond proceeds	-	-	-	-	-
Premiums on VPSA bonds	-	-	-	-	-
Total other financing sources (uses)	(74,582,911)	(98,051,729)	(106,372,411)	18,308,496	21,760,920
Net change in fund balances	\$ (27,203,798)	4,472,225	(3,871,918)	(11,875,636)	17,907,320
Debt service as a percentage of noncapital expenditures	13.16%	14.83%	17.12%	12.15%	11.51%

Table 4, Continued

Fiscal Years				
2004	2005	2006	2007	2008
65,857,985	68,380,647	70,582,784	110,177,288	112,215,093
-	-	531,918	-	-
-	-	-	-	-
-	-	-	-	-
4,940,000	-	-	-	-
720,000	-	-	-	-
-	13,815,000	15,865,000	-	-
62,920,000	-	-	-	-
(66,899,055)	(68,917,222)	(70,584,457)	(110,345,316)	(117,513,581)
-	-	-	-	-
(70,300,043)	(913,530)	-	-	-
-	394,743	59,276	-	-
7,794,630	-	-	-	-
-	19,275,000	26,935,000	28,080,000	9,490,000
-	1,147,404	1,072,963	927,672	513,048
5,033,517	33,182,042	44,462,484	28,839,644	4,704,560
13,378,780	41,397,635	62,068,441	18,928,053	(3,221,780)
11.06%	10.83%	10.58%	9.74%	9.43%

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

	Fiscal Years				
	1999	2000	2001	2002	2003
Real Property Assessed Value ¹	\$ 9,457,465,403	\$ 10,013,133,847	\$ 10,544,713,562	\$ 11,262,033,169	\$ 12,119,195,740
Real Property Estimated Actual Value ¹	9,457,465,403	10,013,133,847	10,544,713,562	11,262,033,169	12,119,195,740
Personal Property Assessed Value ¹	1,102,588,406	1,238,515,865	1,301,853,895	1,327,827,157	1,374,652,783
Personal Property Estimated Actual Value ¹	1,102,588,406	1,238,515,865	1,301,853,895	1,327,827,157	1,374,652,783
Total Assessed Value	10,560,053,809	11,251,649,712	11,846,567,457	12,589,860,326	13,493,848,523
Total Direct Tax Rate ²	1.55	1.56	1.56	1.55	1.54
Estimated Actual Value	10,560,053,809	11,251,649,712	11,846,567,457	12,589,860,326	13,493,848,523
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

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

¹ Source: City of Chesapeake Commission of the Revenue² The Direct Tax Rate is calculated using a formula that includes the City's actual current tax rates which are \$1.04 for real property and \$4.00 for personal property.

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

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Personal Property (3) (4)	Real Estate (1) (2) s	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.21	1.09	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	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
	Handicap Vehicles	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Boats (5)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	0.01	0.01	0.01
	Business	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Mobile Homes (6)	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.21	1.21	1.21
	Machinery & Tools	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
	Farm	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	Airplanes	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
	Total Direct Rate (7)		1.55	1.56	1.56	1.55	1.54	1.54	1.53	1.46	1.30

- (1) Assessment of Real Estate is 100 percent of fair market value.
- (2) The general City real estate tax levy is 1.04 per \$100 as assessed value. An additional \$0.02 per \$100 assessed value is imposed for mosquito control services.
- (3) The general City personal property tax levy is \$4.00 per \$100 as assessed value. An additional \$0.08 per \$100 is assessed value is imposed for mosquito control services.
- (4) Boats and vehicles are assessed using 100% of the loan value from a recognized pricing guide. Boats and vehicles that are not found in a recognized pricing guide are assessed as a percentage of their original cost. Airplanes, business personal property and machinery and tools are assessed at 20% of their original cost. Farm equipment is assessed at 12% of its original cost.
- (5) The general tax rate on boat assessments was reduced to \$.01 per \$100 effective January 1, 2006.
- (6) Mobile home assessments are based on per square foot values provided by a recognized pricing guide.
- (7) The Direct tax rate is calculated using a weighted formula that includes the City's current tax rate of \$1.04 for real property and \$4.00 for personal property.

SOURCE: City of Chesapeake, Ordinance

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago

Principal Taxpayer	Type of Business	Fiscal Year 2008		Fiscal Year 1999	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$629,981,255	2.55%	\$481,785,549	5.09%
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	101,653,200	0.41%	-	-
Chesapeake Mall LLC	Shopping Mall	81,824,000	0.33%	-	-
Liberty Property LTD	Shopping Center & Office Bldg	73,542,100	0.30%	-	-
Empirian Chesapeake LLC	Apartment Complex	57,363,700	0.23%	-	-
CP Venture Two LLC	Shopping Mall	51,951,200	0.21%	49,889,900	0.53%
Woodlake Co Limited Partnership	Apartment Complex	48,992,300	0.20%	28,443,900	0.30%
JLP Chesapeake LLC	Retail and Vacant Land	40,587,700	0.16%	-	-
CPRE 1 Bay LLC	Apartment Complex	35,204,300	0.14%	-	-
352 Commercial	Apartment Complex	30,679,500	0.12%	-	-
Mountain Energy	Apartment Complex	30,117,000	0.12%	-	-
Dollar Tree Distribution Inc	Distribution Center	28,278,500	0.11%	21,579,400	0.23%
Chesapeake Center Associates	Shopping Center			17,748,000	0.19%
Mitsubishi Kasei America Inc	Manufacturing			23,157,400	0.24%
Wal-Mart Stores Inc	Retail and Vacant Land			28,533,600	0.30%
Schroder Chesapeake Ltd. Partnership	Shopping Mall			84,033,600	0.89%
Chesapeake - JCP Associates	Shopping Mall			65,885,400	0.70%
Prudential Insurance Co of America	Office Buildings & Shopping Center			64,067,300	0.68%
Total Top Ten Principal Taxpayers (1)		\$1,210,174,755	4.89%	\$865,124,049	9.15%
Total Assessed Valuation (2)		\$ 24,740,116,412		\$9,457,465,403	

Source: (1) City of Chesapeake Real Estate Assessor
(2) City of Chesapeake Commissioner of Revenue

CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Levies
Last Ten Fiscal Years - Unaudited

		FISCAL YEARS				
		1999	2000	2001	2002	2003
Personal Property (1)	Real Property (1)	\$ 112,035,175	119,019,794	125,644,567	134,698,510	145,107,682
	Motor Vehicles	32,892,975	37,612,479	39,419,716	40,945,175	42,472,194
	Motor Carriers	142,579	167,619	202,508	252,341	298,298
	Recreation Vehicles	158,765	186,054	197,218	227,750	259,567
	Boats (2)	248,641	285,502	300,746	315,873	332,763
	Business	6,184,227	6,828,776	7,513,072	7,756,524	7,948,489
	Motor Homes	165,371	161,894	166,544	159,110	172,051
	Machinery & Tools	3,037,398	3,061,695	3,175,035	2,371,407	2,399,467
	Farm	104,216	102,477	98,063	100,679	104,042
	Airplanes	16,650	25,120	17,334	19,458	15,919

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

(1) Public service corporation property is not included

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

Source: City of Chesapeake Commissioner of the Revenue

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

Table 9

Fiscal Year	Total Tax Levy	Current Tax Collections (1)(2)(3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes (4)	Ratio of Delinquent Taxes to Total Tax Levy
1999	\$ 164,000,307	153,081,861	93.34%	\$ 13,659,994	166,741,855	101.67%	\$ 10,599,446	6.46%
2000	176,589,725	163,705,418	92.70%	15,244,557	178,949,975	101.34%	10,609,066	6.01%
2001	186,048,152	173,088,321	93.03%	15,504,949	188,593,270	101.37%	8,559,955	4.60%
2002	196,280,930	182,439,282	92.95%	16,894,630	199,333,912	101.56%	8,384,422	4.27%
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	316,797,816	95.06%	15,321,936	332,119,752	99.66%	21,971,429	6.59%

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

(2) Effective 1999, collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

(3) Effective 2006, tax collections include amounts recorded by Tax Increment Financing Fund.

(4) Tax receivables as of June 30 less allowance for uncollectible amounts.

Source: City of Chesapeake Commissioner of the Revenue

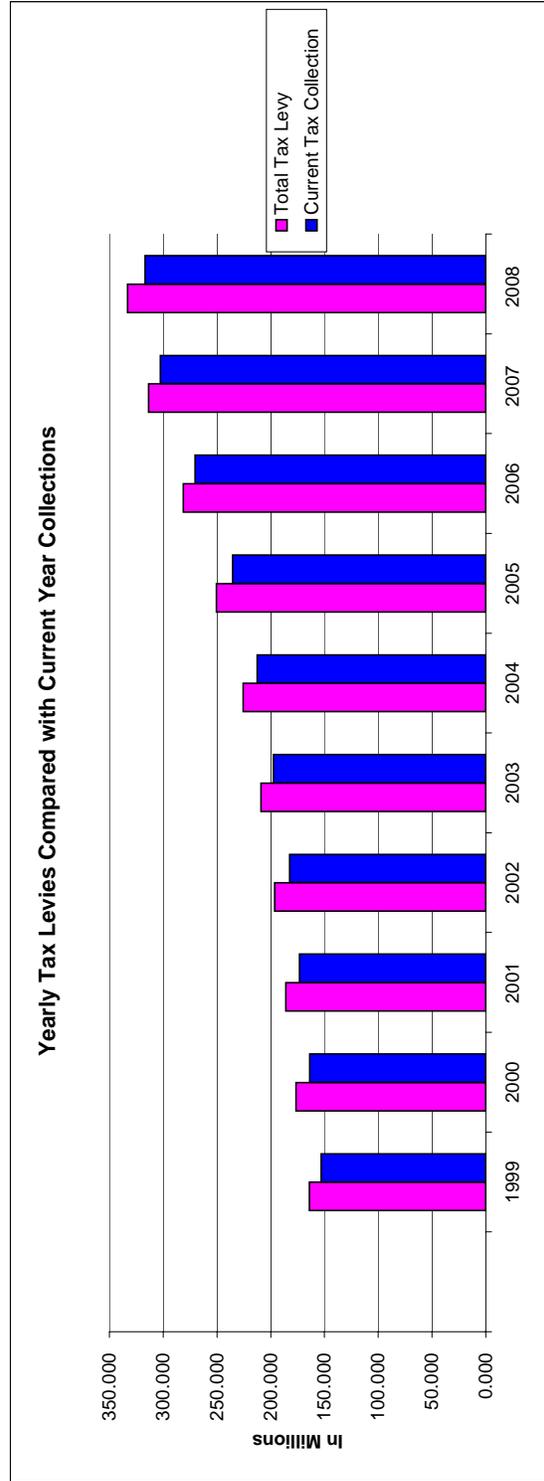


Table 10, Continued

Governmental Activities					
2003	2004	2005	2006	2007	2008
375,081,773	355,039,000	363,966,570	381,132,435	380,587,671	359,916,595
6,825,834	6,276,341	5,726,848	5,177,355	4,627,862	4,078,369
5,870,000	4,015,000	2,060,000	-	-	-
-	-	-	-	1,342,284	1,342,284
2,010,000	2,500,000	2,255,000	1,995,000	1,715,000	1,415,000
27,720,000	26,820,000	25,870,000	24,205,000	23,160,000	22,065,000
40,510,000	38,125,000	34,335,000	31,750,000	28,915,000	25,960,000
13,185,845	14,165,348	12,112,890	12,170,380	12,590,549	8,903,865
193,065	121,849	48,578	-	-	-
471,396,517	447,062,538	446,374,886	456,430,170	452,938,366	423,681,113

Business-Type Activities					
2003	2004	2005	2006	2007	2008
138,200,117	133,117,323	135,351,558	130,434,187	125,473,614	120,754,717
808,075	690,000	575,000	460,000	345,000	230,000
-	-	-	-	-	-
29,395,000	29,120,000	21,630,000	21,630,000	21,630,000	21,245,000
70,447,794	69,964,516	71,958,461	71,078,118	68,520,358	68,163,966
238,850,986	232,891,839	229,515,019	223,602,305	215,968,972	210,393,683
710,247,503	679,954,377	675,889,905	680,032,475	668,907,338	634,074,796
10.88%	9.86%	9.29%	8.81%	n/a	n/a
3,406	3,188	3,120	3,110	3,023	2,834

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

Fiscal Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	School Literary Loans	Total		
1999	\$ 392,694,070	9,224,269	401,918,339	3.81%	\$ 2,050
2000	398,493,895	8,774,313	407,268,208	3.62%	2,034
2001	385,511,930	8,124,820	393,636,750	3.32%	1,944
2002	373,538,133	7,475,327	381,013,460	3.03%	1,862
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	385,215,533	1.62%	1,741
2008	359,916,595	4,078,369	363,994,964	1.29%	1,627

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

² Refer to Table 12 Debt Affordability Indicators for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

Debt Affordability Indicators
Last Five 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 ¹

Fiscal Year	Overall Net Debt ²	Assessed Value of Taxable Real Property ³	Overall Net Debt to Assessed Value of Taxable Real Property	Population ⁴	Overall Net Debt Per Capita
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	24,740,385,447	1.71%	223,743	1,894

¹ Policy adopted February 27, 2007.

² Source: Table 10. Does not include business-type activities.

³ Source: Table 5

⁴ Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2004-2005) and City of Chesapeake Planning Board estimates (2006 - 2008).

CITY OF CHESAPEAKE, VIRGINIA

Table 13

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

Fiscal Year	Total General Governmental Expenditures¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
1999	\$ 462,654,754	36,034,112	7.79%
2000	482,055,117	34,534,255	7.16%
2001	515,764,180	42,984,842	8.33%
2002	552,004,523	44,428,354	8.05%
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%

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

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

CITY OF CHESAPEAKE, VIRGINIA

Table 14

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

Fiscal Year	Local Revenues¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures To Local Revenues
1999	\$ 295,167,583	44,989,222	15.24%
2000	310,600,678	43,064,772	13.86%
2001	321,649,673	53,077,434	16.50%
2002	335,931,888	55,228,050	16.44%
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%

¹ Includes local revenues of the following funds: General, Special Revenue, Permanent, Debt Service, Chesapeake Public Schools - component unit, Chesapeake Mosquito Control Commission - component unit, Public Utilities Fund, Chesapeake Expressway Fund and Stormwater Fund. Prior to 2002 Permanent Funds were not included. Excluded are Capital Projects - primary government, Chesapeake Public Schools Capital Projects - component unit, and transfers/expenditures/revenues between the City, Chesapeake Public Schools, and Elizabeth River Properties of Chesapeake.

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

CITY OF CHESAPEAKE, VIRGINIA*Table 15*

Direct and Overlapping Governmental Activities Debt

June 30, 2008 - Unaudited

Jurisdiction	Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$ 423,681,113	100.00%	\$ 423,681,113
Overlapping:			
None	-		-
TOTAL	\$ 423,681,113		\$ 423,681,113

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

Table 16

Fiscal Years	Debt Limit ¹	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
1999	\$ 945,746,540	403,667,612	542,078,928	42.7%
2000	1,001,313,385	402,518,079	598,795,306	40.2%
2001	1,054,471,356	380,631,488	673,839,868	36.1%
2002	1,126,203,317	369,487,941	756,715,376	32.8%
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%

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

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Chesapeake
VIRGINIA

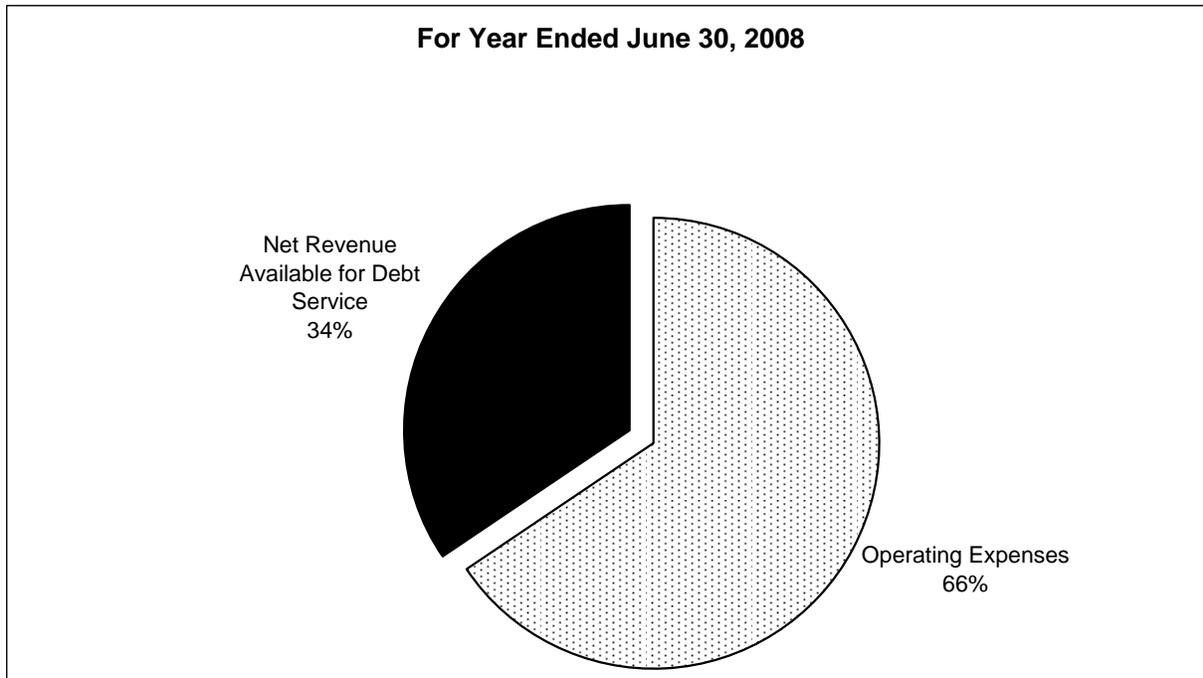
Revenue Bond Coverage
 Water and Sewer Systems (Pledged-Revenue)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage ³
				Principal	Interest	Total	
1999	\$ 27,783,516	18,585,124	9,198,392	570,000	1,226,619	1,796,619	5.12
2000	26,836,455	20,353,662	6,482,793	600,000	1,192,698	1,792,698	3.62
2001	27,415,623	21,334,342	6,081,281	635,000	1,162,161	1,797,161	3.38
2002	32,748,966	23,156,628	9,592,338	665,000	1,127,270	1,792,270	5.35
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

¹ Total Public Utilities revenues exclusive of interest and less fifty percent (50%) of connection fees.

² Total Public Utilities operating expenses exclusive of depreciation.

³ As of June 30, 2005 all revenue bonds for Public Utilities have 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. It is anticipated that future Public Utility issuances will be revenue bonds.



CITY OF CHESAPEAKE, VIRGINIA

Table 18

Schedule of Utility General Obligation Bonds Coverage
 Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	1999	2000	2001	2002
Gross Revenue ¹	\$ 27,783,516	26,836,455	27,415,623	32,748,966
Operating Expenses ²	18,585,124	20,353,662	21,334,342	23,156,628
Net Revenue Available for Debt Service	9,198,392	6,482,793	6,081,281	9,592,338
Debt Service Requirements ³				
Principal	2,487,545	2,079,573	2,728,702	2,776,559
Interest	4,667,984	4,520,782	4,379,421	4,127,684
Total	\$ 7,155,529	6,600,355	7,108,123	6,904,243
Coverage	1.29	0.98	0.86	1.39

¹ Total revenues exclusive of interest and less fifty percent (50%) of connection fees.

² Total operating expenses exclusive of depreciation.

³ 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.

Table 18, Continued

Fiscal Years					
2003	2004	2005	2006	2007	2008
32,372,879	37,595,984	37,354,500	40,665,906	45,444,218	50,215,171
23,536,100	23,697,902	25,652,449	27,263,177	29,780,532	32,922,887
8,836,779	13,898,082	11,702,051	13,402,729	15,663,686	17,292,284
2,911,246	4,372,794	4,685,766	4,917,371	4,960,573	4,718,897
3,918,004	6,512,557	6,099,103	6,046,225	5,907,878	5,735,465
6,829,250	10,885,351	10,784,869	10,963,596	10,868,451	10,454,362
1.29	1.28	1.09	1.22	1.44	1.65

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ³	School Enrollment ⁴	Chesapeake Unemployment Rate ⁵	Virginia Unemployment Rate ⁵
1999	196,035	\$ 5,000,039	25,506	36,242	2.5%	2.7%
2000	200,277	5,379,533	26,860	36,920	2.5%	2.5%
2001	202,540	5,749,389	28,386	37,264	2.4%	2.5%
2002	204,652	6,107,527	29,843	38,010	3.5%	4.0%
2003	208,533	6,528,754	31,308	38,862	3.8%	4.2%
2004	213,303	6,896,084	32,330	39,440	3.7%	3.9%
2005	216,644	7,274,386	33,578	40,005	3.7%	3.6%
2006	218,638	7,719,012	35,305	40,121	3.2%	3.2%
2007	221,282	n/a	n/a	39,465	3.2%	3.0%
2008	223,743	n/a	n/a	39,026	3.4%	3.4%

n/a - Information not yet available

Sources:

¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2000 - 2006 restated as of March 2008) and City of Chesapeake Planning Department Estimates (2007 & 2008)

² Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of March 2008)

³ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of March 2008)

⁴ Chesapeake Public Schools

⁵ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through December 2007)

Principal Employers
Current Year and Nine Years Ago

Principal Employers	Type of Business	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 1999	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,828	n/a	5,719	n/a	4,060	4.24%
City of Chesapeake ²	Government	3,368	n/a	3,277	n/a	2,799	2.92%
Chesapeake General Hospital	Hospital & healthcare services	n/a	n/a	2,400	n/a	n/a	n/a
QVC Chesapeake Inc	Phone center/order processing facility	n/a	n/a	1,276	n/a	n/a	n/a
HSBC - Household International	Regional processing center for financial services	n/a	n/a	1,200	n/a	n/a	n/a
LTD Management Co LLC Marketing	Hotel development and management	n/a	n/a	1,000	n/a	n/a	n/a
LTD Management LLC	Hotel development and management	n/a	n/a	810	n/a	n/a	n/a
Cox Communications	Hampton Roads head quarters/customer care center	n/a	n/a	800	n/a	n/a	n/a
EDS	National employee benefits administration service center	n/a	n/a	800	n/a	n/a	n/a
Reliance Staffing Services	Employment supply service	n/a	n/a	700	n/a	n/a	n/a
Lifetouch National School Studios Inc	School photography processing plant	n/a	n/a	665	n/a	n/a	n/a
Anteon Corporation	Engineering & Technical Services	n/a	n/a	n/a	n/a	n/a	n/a
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	n/a	n/a	660	n/a	n/a	n/a
Maersk Distribution Services, Inc	Gateway Commerce	n/a	n/a	637	n/a	n/a	n/a
United States Coast Guard Finance Center	Financial service & Data warehousing	n/a	n/a	522	n/a	n/a	n/a
Sentara Home Care Services	Home care nursing	n/a	n/a	620	n/a	n/a	n/a
		9,196		21,086		6,859	7.16%
Total Employment ³		n/a		n/a		95,739	

n/a - not available

¹ Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

² Source is City of Chesapeake Comprehensive Annual Financial Reports with specific data provided by City of Chesapeake Economic Development Department

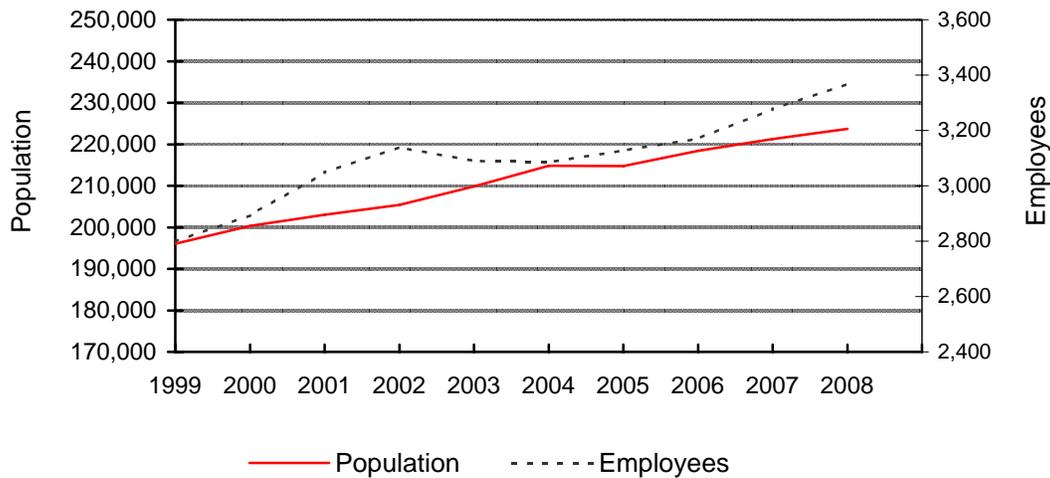
³ Source is Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2007)

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees	Employees Per 1,000 Population
1999	196,035	2,799	14.3
2000	200,368	2,893	14.4
2001	203,003	3,048	15.0
2002	205,379	3,139	15.3
2003	209,831	3,090	14.7
2004	214,830	3,085	14.4
2005	214,759	3,128	14.6
2006	218,438	3,170	14.5
2007	221,282	3,277	14.8
2008	223,743	3,368	15.1

Sources: ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (1999 - 2004) and City of Chesapeake Planning Department (2005 - 2008)

Population and Employee Figures



CITY OF CHESAPEAKE, VIRGINIA

Table 22

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

	Full-Time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Function/Program</u>										
General Government										
Management Services								40	41	43
Economic Development								71	74	74
Finance								24	25	26
Information Technology								54	55	57
Human Resources								17	20	20
Budget								7	7	7
Agriculture								8	8	8
Intergovernmental Affairs								7	4	7
Other								244	257	248
Police								507	498	546
Sheriff								346	389	396
Fire								418	452	426
Community Services								158	159	172
Neighborhood Services								57	59	58
Public Works								425	438	445
Parks and Recreation								77	81	84
Library								80	85	84
Public Utilities								195	184	194
General Services								66	71	70
Justice								53	63	94
Health and Human Services								316	307	309
Total	<u>2,799</u>	<u>2,893</u>	<u>3,048</u>	<u>3,139</u>	<u>3,090</u>	<u>3,085</u>	<u>3,128</u>	<u>3,170</u>	<u>3,277</u>	<u>3,368</u>

Source: Human Resources and prior year CAFRs

Note: Information not available by Function/Program for 1999-2005.

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
General Government					
Building Permits Issued	7,496	7,177	6,654	6,704	6,321
Building Inspections Conducted	18,225	16,067	13,901	16,624	15,616
Electrical Permits Issued	4,679	4,552	3,700	3,960	4,093
Electrical Inspections Performed	13,330	13,130	10,278	11,751	10,688
Plumbing Permits Issued	2,503	2,296	1,751	1,823	1,913
Plumbing Inspections Performed	12,085	11,159	18,238	9,872	8,912
Mechanical/Gas Permits Issued	7,842	6,978	5,291	5,529	6,101
Mechanical/Gas Inspections Performed	16,477	15,752	12,478	12,481	14,020
Code Compliance Inspections	13,155	13,695	15,284	15,317	15,992
Police					
Calls for Police Service	138,936	145,833	147,999	155,059	156,002
Part I Law Violations	n/a	7,480	7,821	9,239	10,125
Adult Criminal Charges	n/a	14,372	13,847	15,227	14,879
Total Criminal Arrests	n/a	n/a	n/a	n/a	n/a
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	n/a	n/a	n/a
DUI Arrests	797	882	841	728	823
Fire					
Calls answered for Fire Protection Services	19,108	21,187	21,333	22,875	22,421
Public Works					
Refuse Collected (tons per day)	98,290	102,469	101,208	106,448	108,046
Street Resurfacing (miles)	74.60	55.70	66.73	92.67	67.69
Potholes Repaired	n/a	n/a	n/a	n/a	n/a
Water					
Service Connections	55,864	54,463	55,194	56,176	57,210
Daily Average Consumption in Gallons (in mgd)	14.42	14.81	15.10	15.00	15.00
Daily Average Water Provided by Chesapeake (in mgd) ¹	8.94	9.32	9.25	9.74	8.67
Daily Average Water Purchased from other localities (in mgd)	6.44	6.54	6.32	6.32	6.14
Wastewater					
Service Connections	54,602	53,429	54,223	54,297	55,361
Parks and Recreation					
Youth Athletics - Participants	11,187	10,868	11,091	10,845	10,036
Youth Athletics - Teams	836	799	812	799	772
Youth Athletics - Coaches	1,677	1,549	1,666	1,675	1,481
Adult Athletics - Participants	4,824	4,576	4,904	4,554	3,890
Adult Athletics - Teams	275	260	276	256	219
Special Programs Athletics - Participants	n/a	597	662	621	491
Special Programs Athletics - Programs	n/a	10	11	10	11
Leisure Classes - Youth Participants	n/a	n/a	2,668	2,224	1,915
Leisure Classes - Adult Participants	n/a	n/a	1,310	1,432	1,085
Leisure Classes - Community Program Participants	n/a	n/a	1,298	34,005	33,560
Leisure Classes - Special Event Attendance	n/a	n/a	27,850	32,850	28,250
Community Center Attendance	162,537	152,552	163,939	154,995	164,818
Community Center ID Sales	8,028	7,575	8,575	7,937	8,582
Community Center Rentals	1,971	2,098	2,116	2,192	1,848
Library					
Items Checked Out	1,577,862	1,533,411	1,615,250	1,721,960	1,623,957
Interlibrary Loans - Borrowed	687	798	826	797	871
Interlibrary Loans - Loans	2,644	2,925	3,003	2,654	2,380
Library Collection	646,751	669,073	684,188	664,330	637,065
Patron Visits	1,171,122	1,103,002	1,126,717	1,162,439	1,160,061
Website Visits	n/a	26,187	291,000	321,000	353,100
Registered Patrons	127,227	142,943	160,030	179,421	195,481
Total Programming	1,734	1,502	1,875	2,154	2,446
Total Programming - Participants	43,438	48,311	57,864	65,645	71,745
Typewriter Use	3,621	2,497	2,848	1,864	1,592
Public Computer Use	74,586	95,963	126,136	172,727	191,387
Bookmobile - Patrons	13,051	11,560	12,656	12,293	13,093
Bookmobile - Number of Stops	1,237	1,097	1,182	1,323	1,312
Bookmobile - Miles Driven	6,362	5,488	5,900	6,520	6,609
Schools					
Student Enrollment	36,242	36,920	37,264	38,010	38,862

Source: Various City Departments

n/a - Information not available

¹ Public Utilities Production Report (restated as of June 30, 2007)

CITY OF CHESAPEAKE, VIRGINIA

Table 23, Continued

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Function/Program					
General Government					
Building Permits Issued	6,519	6,769	6,481	5,547	4,843
Building Inspections Conducted	14,864	16,432	14,600	11,022	9,452
Electrical Permits Issued	4,483	4,996	4,775	4,156	3,578
Electrical Inspections Performed	11,520	13,462	12,260	12,636	11,339
Plumbing Permits Issued	1,925	2,420	2,280	1,898	1,738
Plumbing Inspections Performed	10,946	10,952	9,724	8,788	7,441
Mechanical/Gas Permits Issued	6,120	6,878	6,163	5,147	4,655
Mechanical/Gas Inspections Performed	14,305	17,981	18,447	12,769	10,241
Code Compliance Inspections	13,339	14,013	20,270	20,570	25,568
Police					
Calls for Police Service	151,753	135,054	131,669	126,458	159,180
Part I Law Violations	8,432	9,236	9,183	8,005	8,270
Adult Criminal Charges	14,829	12,890	10,248	n/a	n/a
Total Criminal Arrests	n/a	10,167	9,229	9,969	10,575
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	57,858	63,609	55,715	31,547
DUI Arrests	948	1,243	1,159	925	721
Fire					
Calls answered for Fire Protection Services	23,416	23,460	23,911	24,504	25,152
Public Works					
Refuse Collected (tons per day)	115,592	114,605	118,899	116,794	114,145
Street Resurfacing (miles)	56.57	47.58	44.99	54.58	35.56
Potholes Repaired	n/a	n/a	5,200	3,376	3,047
Water					
Service Connections	58,187	59,008	59,880	60,390	60,923
Daily Average Consumption in Gallons (in mgd)	15.00	16.00	16.53	16.20	16.19
Daily Average Water Provided by Chesapeake (in mgd) ¹	9.15	9.25	9.73	10.67	10.69
Daily Average Water Purchased from other localities (in mgd)	6.37	6.71	6.08	5.46	5.50
Wastewater					
Service Connections	56,340	57,160	58,046	58,579	59,126
Parks and Recreation					
Youth Athletics - Participants	9,414	9,003	8,414	7,793	7,002
Youth Athletics - Teams	715	695	648	601	537
Youth Athletics - Coaches	1,345	1,353	1,359	1,200	1,062
Adult Athletics - Participants	3,544	4,180	4,445	4,064	3,924
Adult Athletics - Teams	199	236	235	228	227
Special Programs Athletics - Participants	510	1,065	818	627	700
Special Programs Athletics - Programs	10	11	9	10	7
Leisure Classes - Youth Participants	2,174	2,104	2,073	1,908	1,580
Leisure Classes - Adult Participants	1,246	1,258	779	769	614
Leisure Classes - Community Program Participants	44,151	47,268	42,623	45,247	63,892
Leisure Classes - Special Event Attendance	29,200	34,900	34,250	31,750	26,915
Community Center Attendance	n/a	173,191	199,587	172,544	188,276
Community Center ID Sales	n/a	10,147	8,974	9,528	7,604
Community Center Rentals	n/a	1,607	1,769	1,392	1,157
Library					
Items Checked Out	1,781,996	1,890,069	1,956,559	1,912,077	2,010,415
Interlibrary Loans - Borrowed	906	910	1,072	974	1,269
Interlibrary Loans - Loans	2,452	2,591	2,696	2,146	2,467
Library Collection	646,189	678,422	677,933	691,482	699,943
Patron Visits	1,125,096	1,349,598	1,589,297	1,622,831	1,491,973
Website Visits	n/a	520,208	692,305	654,106	779,001
Registered Patrons	163,089	182,623	188,999	207,190	227,348
Total Programming	2,316	2,418	2,417	2,541	2,987
Total Programming - Participants	67,858	73,708	70,343	96,476	78,256
Typewriter Use	1,443	925	774	471	540
Public Computer Use	222,471	407,157	517,870	600,024	596,540
Bookmobile - Patrons	15,514	14,597	12,761	15,516	16,219
Bookmobile - Number of Stops	1,453	1,380	1,201	1,307	1,331
Bookmobile - Miles Driven	7,266	7,078	6,364	7,811	8,240
Schools					
Student Enrollment	39,440	40,005	40,121	39,465	39,026

Source: Various City Departments

n/a - Information not available

¹ Public Utilities Production Report (restated as of June 30, 2007)

CITY OF CHESAPEAKE, VIRGINIA

Table 24

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

	Fiscal Year				
	1999	2000	2001	2002	2003
<u>Function/Program</u>					
Police					
Stations	4	4	5	5	5
Patrol Units	302	296	303	301	214
Fire Stations	14	14	15	15	15
Public Works					
Refuse Collection					
Collection Trucks	n/a	n/a	58	58	58
Other Public Works					
Storm Sewers (miles)	n/a	n/a	n/a	n/a	n/a
Streets (miles)	2,014	2,046	2,106	2,150	2,185
Streetlights	19,615	20,078	20,839	22,423	21,446
Parks and Recreation					
Park Acreage	2,013	2,084	2,067	1,992	2,042
Parks and Play Areas	55	62	68	63	65
Athletic Fields/Tennis Courts	145	196	211	211	211
Community Centers	7	7	7	7	7
Specialized Centers	4	4	4	4	4
Water					
Water Mains (miles)	725.74	734.81	742.27	749.00	761.00
Fire Hydrants	4,100	4,165	4,221	4,268	4,358
Wastewater					
Sanitary Sewers (miles)	918.49	928.55	938.41	950.00	968.00
Sewage Pumping Stations	236	238	240	243	248
Schools					
Elementary Schools	28	28	28	28	28
Secondary Schools	14	14	15	16	16
Educational Centers	3	3	3	3	3

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

Table 24, Continued

Fiscal Year				
2004	2005	2006	2007	2008
5	5	5	5	5
231	208	194	214	193
15	15	15	15	15
58	58	58	60	61
n/a	n/a	1,100	1,100	1,100
2,222	2,257	2,310	2,314	2,329
21,266	21,745	22,023	22,287	22,634
2,042	2,043	2,066	2,066	2,262
65	67	64	66	67
211	211	211	200	199
7	7	7	8	8
4	4	4	4	4
772.00	786.00	795.00	804.00	818.00
4,432	4,522	4,608	4,681	4,823
982.00	1,003.00	1,018.66	1,033.90	1,048.40
248	253	255	259	262
28	28	28	28	28
16	16	16	16	17
3	3	3	3	3

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Chesapeake
VIRGINIA

COMPLIANCE SECTION

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1

Schedule of Expenditures of Federal Awards

For the Period Ended June 30, 2008

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	\$ 213,754
Animal and Plant Health Inspection Service	10.025	19,535
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,384,384
Virginia Department of Education:		
School Breakfast Program	10.553	1,139,372
National School Lunch Program	10.555	3,702,840
Virginia Department of Agriculture and Consumer Services		
Food Distribution - commodities value - Schools' Food Services	10.555	915,106
Food Distribution - commodities value - Detention Home	10.555	27,325
Food Distribution - commodities value - Parks and Recreation Summer Feeding Program	10.559	2,603
Virginia Department of Forestry		
Department of Agriculture - Cooperative Forestry Assistance	10.664	4,777
		7,409,696
National Endowment for the Arts		
Direct Payments		
Challenge America	45.024	6,250
Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grant Program		
Program year 2004	14.218	6,242
Program year 2005	14.218	17,480
Program year 2006	14.218	19,503
Program Year 2007	14.218	130,194
Program Year 2008	14.218	544,419
Section 108 Loan Program - 2008 Program	14.248	392,136
Portlock Area Drainage	14.228	332,807
Shelter Plus/Mckinney-Vento Grant	14.238	29,548
HOME Investment Partnerships Program:		
Program Year 2000	14.239	2,573
Program Year 2001	14.239	165
Program Year 2002	14.239	48,757
Program Year 2003	14.239	98,028
Program Year 2004	14.239	101,638
Program Year 2005	14.239	139,144
Program Year 2006	14.239	38,578
Program Year 2007	14.239	289,487
Program Year 2008	14.239	273,430
		2,464,129
Department of Health and Human Services:		
Pass-through payments:		
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	154,842
Block Grants for Prevention and Treatment of Substance Abuse	93.959	839,652
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	272,217
Temporary Assistance for Needy Families	93.558	997,478
Refugee and Entrant Assistance - State Administered Program	93.566	6,421
Low Income Home Energy Assistance	93.568	33,649
Payments to States for Child Care Assistance	93.575	849,259
Child Care & Development Fund	93.596	1,300,083
Chaffee Education and Training Vouchers Program (ETV)	93.599	11,260
Child Welfare Services-State Grants	93.645	10,271
Foster Care-Title IV-E	93.658	944,642
Adoption Assistance	93.659	395,156
Social Services Block Grant	93.667	1,451,803
Independent Living	93.674	10,180
State Children's Insurance Program	93.767	62,431
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,015,930

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1, Continued

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
Department of Health and Human Services (Continued)		
Pass-through payments (Continued):		
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	\$ 71,474
		8,426,748
Department of the Interior:		
Direct payments:		
Payment in Lieu of Taxes	15.226	3,603
Gateway Grants	15.000	58,557
U.S. Fish and Wildlife Service - Back Bay Grants	15.664	20,863
U.S. Fish and Wildlife Service - Refuge Revenue Sharing	15.226	51,867
		134,890
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	97,768
Criminal Justice Records	16.579	48,476
State Criminal Alien Assistance Program	16.606	25,464
Office of Community Oriented Policing Services - Public Safety -		
Partnership and Community Policing Grants		
Fiscal year 2006	16.710	484,949
Pass-through payments:		
Bureau of Justice Assistance:		
Juvenile Account Incentive Block Grant		
Fiscal year 2007	16.523	46,814
Fiscal year 2008	16.523	25,599
Edward Byrne Grant Program		
Fiscal Year 2006	16.738	66,254
Fiscal Year 2007	16.579	27,565
		822,889
Environmental Protection Agency		
Direct Payment:		
Chesapeake Integrated Pest Management Initiative	66.716	5,999
		5,999
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	12,200
		12,200
U.S. Department of Transportation:		
Pass-through payments:		
Department of Motor Vehicles - Alcohol Traffic Safety and		
Drunk Driving Prevention Incentive Grants		
Fiscal year 2007	20.607	3,041
Fiscal year 2008	20.607	15,793
Virginia Department of Transportation:		
Federal Highway Administration - Planning and Construction		
Route 104 Steel Bridge	20.205	2,207,640
Dismal Swamp Trail	20.205	251,699
Gum Road Multi Use Path	20.205	10,639
Portsmouth Blvd Bike Path	20.205	338,241
Portsmouth Blvd Phase IV	20.205	61,536
Poindexter Site Improvements	20.205	728,652
Hanbury/Battlefield Interchange	20.205	66,125
Greenbrier/Eden Way	20.205	267,882
Woodlake	20.205	193,921
Johnstown and Waters	20.205	37,511
Volvo Parkway	20.205	70,072
Battlefield Visitor Center	20.205	11,853
Virginia Department of Emergency Management		
Pre-Disaster Mitigation Grant	97.047	50,741
Hazard Mitigation Program	83.580	31,163
		4,346,509

CITY OF CHESAPEAKE, VIRGINIA

Schedule U-1, Continued

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
Federal Emergency Management		
Department of Defense:		
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	\$ 4,761
		4,761
Department of Education:		
Direct payments:		
Impact Aid	84.041	3,921,248
Pass-through payments:		
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	225,626
Title I, Part D - Program for Neglected & Delinquent Childrer	84.013	18,805
Title I Grants to Local Educational Agencies	84.010	5,252,608
Title V, Part A - State Grants for Innovative Programs	84.298	48,298
Special Education - Grants to States	84.027	7,523,445
Special Education - Preschool Grants	84.173	208,574
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,588,194
Vocational Education - Basic Grants to States	84.048	571,761
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	152,011
Title III, Part A - English Language Acquisition Grants	84.365	65,305
Title II, Part D - Enhancing Education Through Technology Program	84.318	99,828
Advanced Placement Program	84.330	1,166
Twenty-First Century Community Learning Centers	84.287	5,339
Part C Funds	84.181	162,304
		19,844,512
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters	97.044	137,616
Pass-through payments:		
Virginia Department of Emergency Management:		
Hazard Mitigation Grant	97.039	1,018,449
Home Security Grant Program	97.055	1,488,213
Citizen Preparedness and Citizen Corps Program - 2005	97.053	12,625
Citizen Preparedness and Citizen Corps Program - 2006	97.053	2,229
		2,659,132
Corporation for National and Community Service:		
Pass-through payments:		
Virginia Department of Education:		
Learn and Serve America - School and Community-Based Programs	94.004	30,506
		30,506
		\$ 46,168,221

Notes to Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to Financial Statements

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

Intergovernmental revenues per the basic financial statements:

Primary government:	
General Fund	\$ 205,274
Capital Projects Fund	3,691,166
Special Revenue Funds:	
Virginia Public Assistance Fund	8,704,473
Community Services Fund	1,156,798
Community Development Fund	1,967,727
Grants Fund	3,921,049
<u> Total primary government</u>	<u>19,646,487</u>
Component unit - Public Schools:	
School Operating Fund	20,005,328
School Food Services Fund	4,842,212
<u> Total component unit - Public Schools</u>	<u>24,847,540</u>
<u> Total federal expenditures from intergovernmental revenue</u>	<u>44,494,027</u>
Other reconciling items	1,674,194
<u> Total federal expenditures per the Schedule of</u>	
<u> Expenditures of Federal Awards</u>	<u>\$ 46,168,221</u>

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2008

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, the Community Services Board, and the Planning Department are the subrecipients for all federal awards received from the Department of Housing and Urban Development.

The Planning Council is the subrecipient for \$1,300,083 related to the Child Care Development Fund received from the Department of Social Services.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management’s Response
Year Ended June 30, 2008

(1) Summary of Auditors’ Results

- (a) The type of report issued on the basic financial statements: **UNQUALIFIED OPINIONS**
- (b) Reportable conditions in internal control disclosed by the audit of the financial statements: **NO**
- (c) Noncompliance, which is material to the financial statements: **NO**
- (d) Reportable conditions in internal control over major programs: **NO**
- (e) The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
- (g) The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture:	
State Administrative Matching Grants for Food Stamp Program	10.561
Department of Health and Human Services:	
Foster Care Title IV-E	93.658
Temporary Assistance for Needy Families	93.558
Social Services Block Grant	93.667
Department of Homeland Security:	
Home Security Grant Program	97.055
Department of Education:	
Impact Aid	84.041
Title I Grants to Local Educational Agencies	84.010

- (h) Dollar threshold to distinguish between Types A and B Programs: **\$1,385,047**
- (i) The City of Chesapeake was determined to be a low risk auditee.

(2) Findings - Financial Statement Audit: NONE

(3) Findings and Questioned Costs - Major Federal Awards: NONE

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2008

(4) Schedule of Commonwealth of Virginia Findings and Questioned Costs

Virginia Department of Social Services

Child Welfare Trust Accounts

State Finding 08-1: Accounts Without Recent Activity are Necessary and Unexpended Funds are Returned

Section 63.2-320 of the Code of Virginia authorizes local agencies to accept and expend special welfare trust funds for foster care or other children placed by or entrusted to the board when there is no appointed guardian. The statute provides for final disposition of remaining funds in the child's account when the local board discharges the child from its care. Accounts without recent activity should be monitored to determine they are necessary, and if no longer necessary, those funds should be returned to the child or escheated to the State. In performing our Child Welfare Trust audit procedures, we noted two instances of inactive accounts where the funds should have been returned. We recommend that the Social Services department implement review procedures at least on a semi-annual basis to ensure that inactive accounts are timely returned.

Management agrees with this finding. The City's Department of Social Services (CDSS) has determined where the funds belong in the two instances noted and funds will be returned to the appropriate person and/or agency. CDSS has been successful in working with the Social Workers, Social Security Administration, and Division of Child Support Enforcement to determine how much the agency can recoup towards room and board charges as well as any other ancillary services owed. Procedures have been put in the place to ensure a review of Special Welfare Fund balances per child is performed monthly and outstanding account balances are determined and proper disposition of the funds takes place.



**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 basic financial statements of the City of Chesapeake, Virginia (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Chesapeake Airport Authority, which represents 3.88% and 0.38%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority, is based on the report of the other auditors.

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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated November 21, 2008.

This report is intended for the information of the City Council, management, 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
November 21, 2008



**Independent Auditors' Report on Compliance with Requirements
Applicable to 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 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Chesapeake'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 of Chesapeake's management. Our responsibility is to express an opinion on the City of Chesapeake'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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chesapeake'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 of Chesapeake's compliance with those requirements.

In our opinion, the City of Chesapeake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Chesapeake 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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

The report is intended for the information of the Board of Supervisors, management, 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
November 21, 2008



**Independent Auditors' Report on Compliance with
Commonwealth of Virginia's Laws, Regulations,
Contracts and Grants**

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

We have audited the basic financial statements of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>	<u>State Agency Requirements</u>
Budget and Appropriation Laws	Education
Cash and Investments	Comprehensive Services Act
Conflicts of Interest	Social Services
Debt Provisions	Governors Opportunity Fund
Retirement Systems	Highway Maintenance
Procurement	
Unclaimed Property	

The results of our tests discovered one instance of noncompliance with those requirements that is required to be reported in accordance with the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying schedule of findings and questioned costs as state finding 08-1.

This report is intended solely for the information of the City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 21, 2008

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Chesapeake
VIRGINIA