Comprehensive Annual Financial Report of the City of Chesapeake, Virginia for Fiscal Year Ended June 30, 2011

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:

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Tracy Gregory	Victoria Reed	Mitzie Wright
Pamela Hardesty	Anna Riddlehoover	Louella Vess

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 28, 2011

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, 2011, 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. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Reporting Entity and Its Services

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

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

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

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

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

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

Economic Condition and Outlook

The City's taxable sales as reported to the Virginia Department of Taxation for calendar 2010 increased $16.8 million or .6% from the prior year to $2.914 billion. This stabilization is significant in contrast to declines of 4.9% and 5.8% in the two prior years.

The region's diverse local economy and military presence shields it from the more dramatic shifts in the national and global economies. However, on August 2, 2011, the closure of the Joint Forces Command ("JFCOM") was completed as part of the Department of Defense initiative to reduce certain types of military spending and reliance on defense contractors. JFCOM, which was one of the military's ten combat commands, was located in the neighboring cities of Norfolk and Suffolk and was charged with training military personnel from different armed services branches to work together effectively. Approximately 1,200 to 1,500 of JFCOM's 3,800 Hampton Roads jobs were eliminated, with the majority of the job losses occurring among private contractor employees. The overall impact on the Hampton Roads economy, including displacement of employees and related contracting and service firms is projected to range between $200 and $300 million a year across the Hampton Roads region. The impact on the City is diffused and cannot be precisely measured.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2011, the average unemployment rates were 6.6% for Chesapeake (a decline from the prior year's average unemployment rate of 6.8%), 7.1% for the region and 6.5% for the State, compared to 9.3% for the United States.

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

- The City of Chesapeake was named one of the "Top 100 Best Places to Live," by *Money Magazine*. *Parenting Magazine* also included Chesapeake on its list of "Best Places to Raise a Family."
- Existing companies' investment of $62 million and new company investment of $81 million generated 667 new jobs in the industrial and commercial office sector. The majority of economic development activity was concentrated in professional business services/technology, knowledge-based and retail industry sectors. This $143 million of business investment represents a six percent increase over the prior year's growth in business investment.
- On the retail front, new investment totaled $54 million and 712 retail service jobs were created.
- Thirty-three existing Chesapeake companies renewed their office leases resulting in the retention of 1,846 jobs.

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

Major Initiatives

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

During fiscal year 2011, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, expenditures, encumbrances and other financing uses of $486,939,233 were $6,727,392 or 1.4% below the revised budget. Total revenues and other financing sources of $494,043,129 exceeded budget by $14,232,214 or 3.0%.
- Design for the U.S. Route 17/Dominion Boulevard/Steel Bridge project is complete, with Right-of-Way acquisition well underway. Working with the State and Federal governments, the City is methodically positioning the project for advancement and securing funding as a tolled road.
- Virginia Department of Transportation continued construction of the Gilmerton Bridge replacement, scheduled to be completed in 2013, while remaining open to vehicular traffic during the daytime hours. The new bridge width of 85 feet will accommodate future widening of Military Highway from four lanes to six
- The City offered a second round of the Voluntary Retirement Incentive Program to their employees, saving $1.86 million in on-going costs.

- The City's Operating and Capital budgets adopted by City Council preserved core services and included no tax increases.
- Utilizing technology, the City rolled out the capability for code enforcement staff to complete many tasks in the field, enhancing both their ability to increase call response and decrease wait times for customers.
- Fun Forest, reaching back to its roots as a community-led project, was reopened following a fire that damaged a significant part of the play area. Donations from companies and individuals, as well as a grass roots volunteer effort combined to both rebuild and modernize the play area for a new generation.
- In support of the City's Open Space and Agricultural Preservation (OSAP) Program, City staff successfully negotiated the purchase of a 639.2 acre tract of land on Ballahack Road, adjacent to the Naval Support Activity (NSA) Norfolk – Northwest Annex installation (Northwest Annex). This purchase was made in partnership with the U.S. Navy under the multi-year NSA Northwest Encroachment Protection Agreement. Under this agreement, the Navy agreed to reimburse the City half of the $3.3 million purchase price of the property in exchange for a conservation easement. This purchase bolstered the shared commitment of the City and the Northwest Annex to environmental stewardship. Acquisition of this property has resulted in multiple benefits, including added protection for the Northwest River Watershed, a primary source of drinking water for the City. It also adds to the network of conservation lands in the area, such as a 926-acre natural area preserve owned by the Virginia Department of Conservation and Recreation and another 645-acre conservation property held by The Nature Conservancy. The property purchase and easement sale adjacent to the Northwest Annex is similar to purchases/sales made on Elbow Road in 2009 and 2010 in support of Naval Auxiliary Landing Field Fentress.
- The Great Bridge Village Design Guidelines, adopted by City Council in December 2008, saw significant usage and application during the year in development activities along the corridor. Preliminary site development and landscaping work commenced in the Historic Battlefield District in support of the Visitor Center, Monument Plaza, and other elements being developed by the Great Bridge Battlefield & Waterways Historical Foundation in recognition of the 1775 Battle of Great Bridge. The Historic Battlefield District is a key element of the Great Bridge Village, contributing to its rich history, its water accessibility, its identity as a destination, and to its strong sense of community and diverse demographics. In addition, the owners of a long-standing McDonald's restaurant in the Great Bridge Business District decided to demolish the old structure and build a modern facility on the same site during the year. Planning Department staff successfully negotiated with the owners to adopt the architectural design guidelines for the Great Bridge Village, resulting in a new building that contributes to the overall architectural design standards of the district.
- Portsmouth Boulevard and the Chesapeake Square retail sub-market is a significant economic engine for the City and presents significant future economic development opportunities. Recognizing this potential, as well as current challenges the corridor faces, City Council established the Portsmouth Boulevard Commercial Corridor Task Force to develop recommendations for helping the corridor reach its full potential. Assisted by staff from Planning and Economic Development, the Task Force made significant progress during the year in achieving the recommendations submitted to City Council. Activities

included exploring the formation of a Business Improvement District (BID) and building support for it, as well as a business association; developing a vegetation/pruning/removal outreach program; developing a branding marketing campaign; enhanced signage as allowed by the revised Sign Ordinance; and building support for a business watch program.

- Chesapeake Square Mall, owned and managed by Simon Property Group, is actively growing with a dynamic mix of new and longstanding retailers and family-friendly events. A new Cinemark 12 screen, stadium-seating theater is scheduled to open in December 2011. The theaters will offer the latest technologies and exceptional amenities, such as enhanced sound systems, 100% digital projection and an XD Extreme Digital Cinema auditorium. The XD theater will boast a wall-to-wall, ceiling-to-floor screen, plush seating and a custom sound system as well as the ability to show 2D and 3D releases.

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 118,316 in 2011 per the U.S. Labor Statistics, an increase of 22.9% over the period.

The City is continuing its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population, and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic, and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995, to an average annual growth rate of 1.26% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2034 will be approximately 313,600. Additionally, total households are projected to be 114,600, while total employment will be 159,600, yielding a housing-to-jobs ratio of 1.4% which is considered to be a sustainable balance.

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

Since the mid-1990's, a variety of additional studies, plans, and ordinance revisions have been developed to address specific aspects of the City's land use and growth objectives. Area plans for the Western Branch and South Norfolk areas were adopted by City Council in 1995 and 1996, respectively. A land study was conducted to identify development potential west of Interstate 664

in the Western Branch area of the City. In June 2000, a Transportation Corridor Overlay District was adopted to preserve land for economic development opportunities along two of the City's key transportation corridors while managing emerging development patterns. Additionally, a Historic Preservation Plan and Reconnaissance Survey of architectural resources have been developed for the City. Periodic amendments to the City's Zoning Ordinance, Subdivision Ordinance, and Sign and Landscaping Ordinances continue to refine the City's ability to manage growth.

Another critical growth management tool and guidance document for the future is the Comprehensive Plan. The Forward Chesapeake 2026 Comprehensive Plan, adopted by City Council in March 2005, is a series of documents that establish policies regarding the 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. The Plan also promotes smarter growth and more efficient allocation of public resources by establishing new land use categories and population density design to encourage mixed-use developments in established urban areas, in order to maximize existing infrastructure and City services. A number of recommendations contained in the Plan have been enacted, such as the completion of the South Military Highway Corridor Study, creation of the Affordable Housing Task Force, revisions to the Proffer Policy, and streamlining of the development review process.

While the 2026 Comprehensive Plan continues to serve as the City's primary growth management and land use guidance document, a process is well underway to review and update the plan to enhance its usefulness to a broad spectrum of stakeholders, and to adjust the vision, goals and objectives to incorporate current and forecasted trends in economic development, housing, and transportation. The new plan is being called the Moving Forward 2030 Comprehensive Plan Update. A series of community input meetings and focused feedback group meetings have already been conducted in support of the update process. The Chesapeake Planning Department is undertaking a survey of City boards and commissions to ascertain their current concerns and issues, as well as their vision and goals for the future. Based on this input, Planning Department staff is in the process of developing the main policy document, which is being organized around the themes of sustainability, infrastructure, and quality of life. Revisions to the Land use Plan and Master Transportation Plan will be made as appropriate based on input received.

Financial Information

Financial Information and Significant Financial Policies

The keystone to the City's ability to maintain its fiscal integrity is the continuing commitment of the City Council. This commitment is evidenced by the Council's adoption of financial policies that are contained in City publications such as the Annual Long Term Debt Report, Annual Operating Budget and five year Capital Improvement Budget documents. These policies relate primarily to the integration of capital planning, debt planning, cash management, and productivity as a means of ensuring prudent and responsible allocation of the City's resources. From time to time, the City Council evaluates these policies and makes amendments as needed to address the changing economic conditions and management practices.

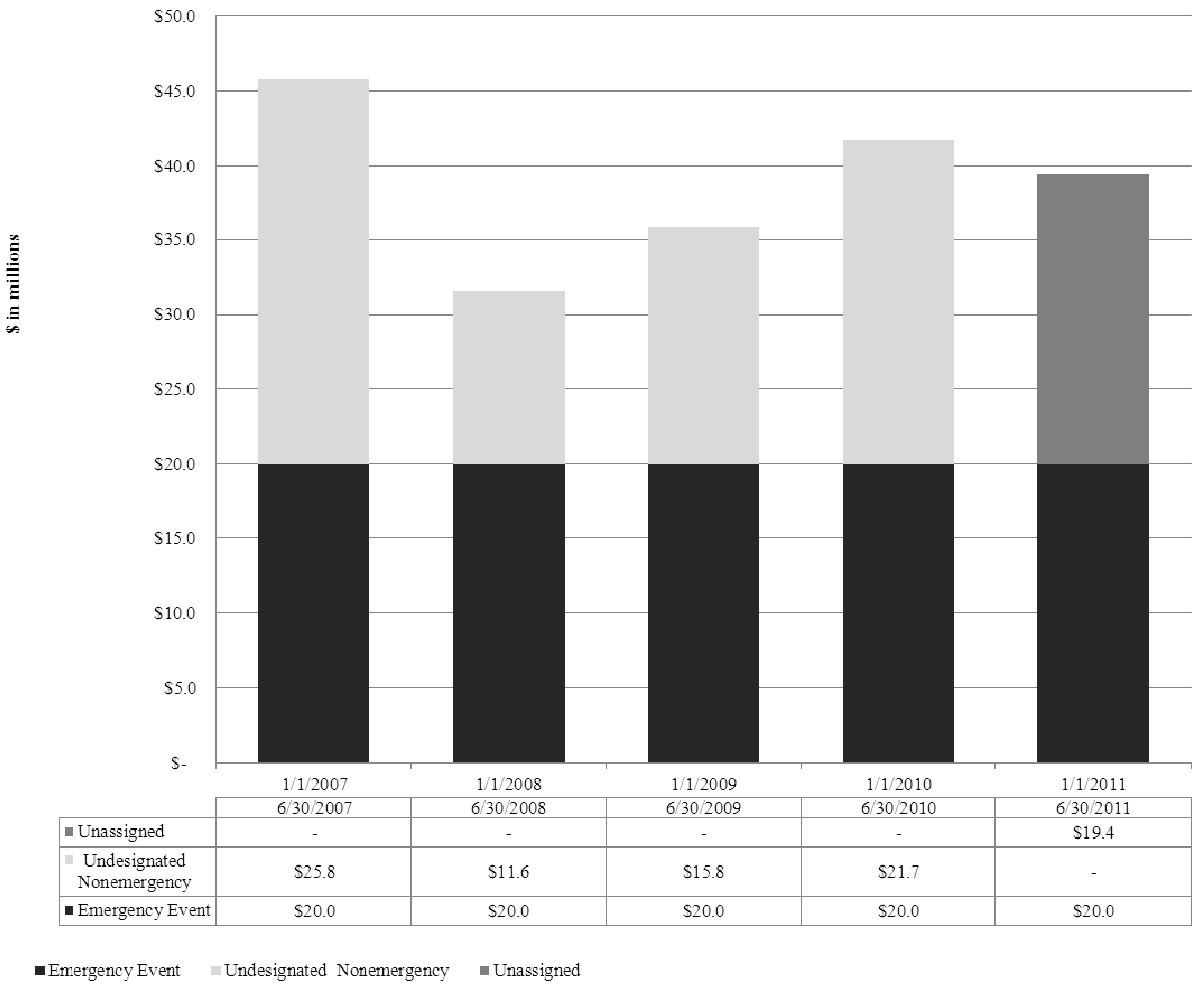
Internal Controls. City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements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

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit, and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, the Grants Fund, the Community Development Fund and certain other Special Revenue Funds. The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the fund level. City Council may authorize supplemental appropriations based on the availability of financial resources. 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 reviewed and generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end.

Fund Balance of General Fund. The General Fund fund balance is an important element in the financial position of the City. With the implementation of the Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* the fund balance is divided into five categories: Nonspendable, Restricted, Committed, Assigned and Unassigned. Except for Unassigned portions of the General Fund, all other portions have constraints placed on them for specific purposes or are not in spendable form. Previously, fund categories were comprised of reserved, unreserved-designated, and unreserved-undesignated. Fund balance not only provides a reserve for emergencies, but it is a positive factor when the rating agencies consider bond ratings for the City. The City Charter requires that a

minimum of six percent of total General Fund revenues must be set aside in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. The June 30, 2011 fund balance restriction for cash flow emergencies totaled $30.7 million. 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, 2011, the fund balance committed for operating emergencies is $25.6 million. In addition to the designations for cash flow emergencies and operating emergencies, $42.5 million has been set aside as of June 30, 2011 with various restrictions, commitments and assignments of which the most significant amounts are set aside as lockbox funds for capital projects, debt service and pay-as-you-go financing.

Undesignated/Unassigned General Fund Balance



	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
Unassigned	-	-	-	-	$19.4
Undesignated Nonemergency	$25.8	$11.6	$15.8	$21.7	-
Emergency Event	$20.0	$20.0	$20.0	$20.0	$20.0

The unassigned fund balance of the General Fund, which represents available current financial resources, totaled $19,406,510 at June 30, 2011. GASB 54 requires the $20,000,000 emergency event and response fund designation to be recorded as part of the committed fund balance. In prior years the emergency event and response fund designation was classified as a portion of undesignated fund balance. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position. Additional information and analysis on the City's General Fund can be found in the Management Discussion and Analysis section of the report.

Summary of Changes in Undesignated/Unassigned Fund Balance of the General Fund (in Millions)

Undesignated fund balance at June 30, 2010			$ 41.7
Revenues		$ 477.6	
Expenditures:			
Current	$ 221.8		
Other financing uses, net	247.7	469.5	
Net change in fund balance			8.1
Classify emergency event response and recovery funds as committed			(20.0)
Reclassify other funds			(10.4)
Unassigned fund balance at June 30, 2011			$ 19.4

Other Information

Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were made to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. Although this testing is not sufficient to support an opinion on the City's internal control system or its compliance with laws, regulations, contracts, and grant agreements, the audit for the fiscal year ended June 30, 2011 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA also awarded the Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2010.

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.

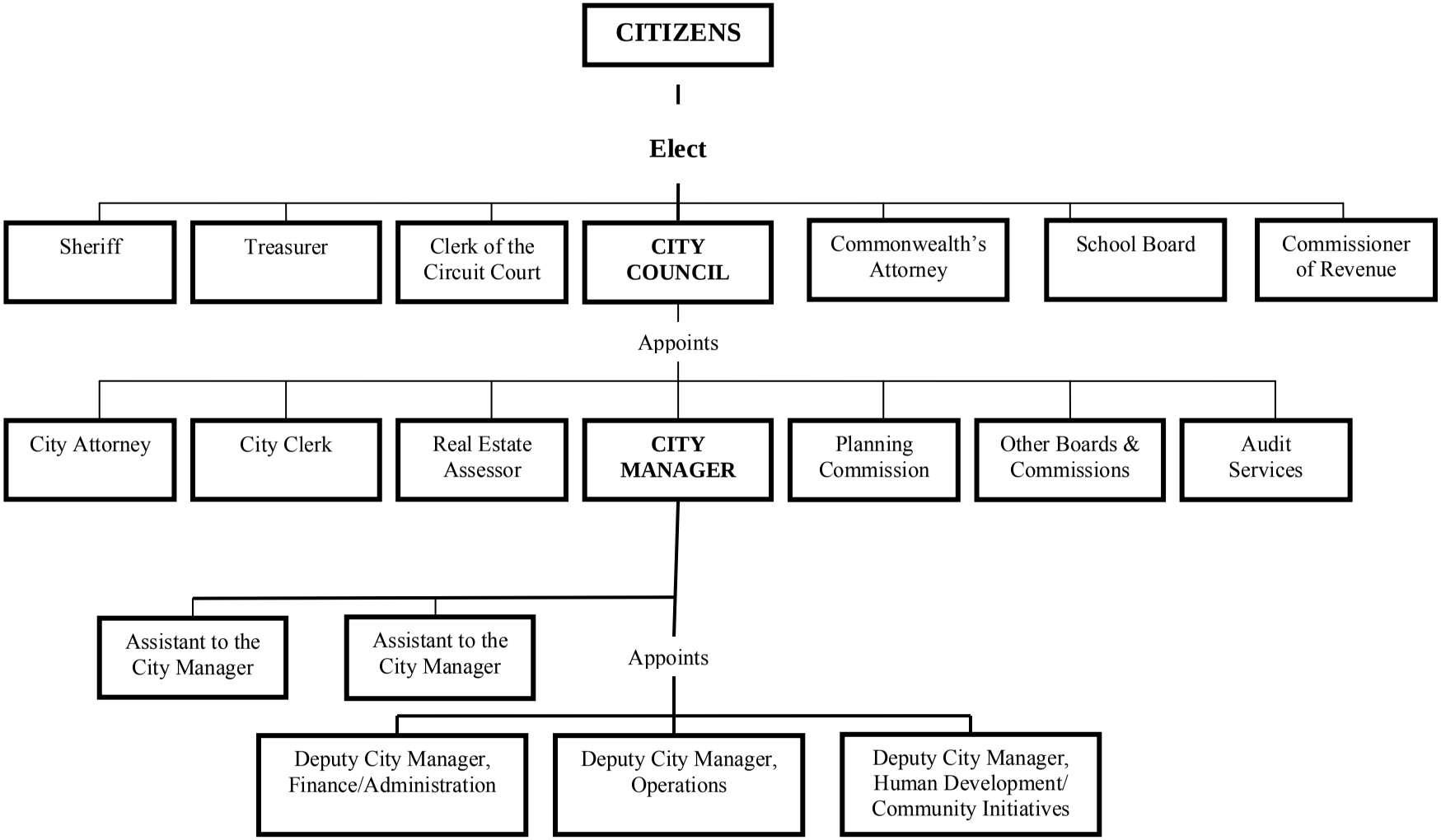
Very truly yours,

William E. Harrell
City Manager

Nancy C. Tracy
Director of Finance

Chesapeake VIRGINIA

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2011

City Council

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

Lonnie E. Craig
C. E. "Cliff" Hayes, Jr.
Suzy H. Kelly
Scott W. Matheson
S.Z. "Debbie" Ritter
Dr. Ella Ward
Dr. Richard W. West

Other Officials

Barbara O. Carraway ..... City Treasurer
Faye Mitchell ..... Clerk of the Circuit Court
Ray A. Conner ..... Commissioner of Revenue
Nancy G. Parr ..... Commonwealth's Attorney
John R. Newhart ..... Sheriff
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
V. Thomas Forehand, Jr. ..... Chief Judge, Circuit Court
John W. Brown, Marjorie A. Taylor Arrington
Bruce Kushner and Randall D. Smith ..... Judges, Circuit Court
Colon H. Whitehurst ..... Chief Judge, General District Court
David L. Williams, Philip J. Infantino 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 and Eileen A. Olds ..... Judges, Juvenile and Domestic Relations Court
Lorraine Creef ..... Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence ..... Director of Agriculture
Steven L. Jenkins ..... Budget Director
Joseph J. Scislowicz ..... Executive Director of Community Services Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2011

Maury B. Brickhouse ..... Director of Court Services
Jay B. Tate ..... Director of Development and Permits
Steven C. Wright..... Director of Economic Development
Nancy C. Tracy ..... Director of Finance
Edmund E. Elliott, Jr. ..... Fire Chief
Dr. Nancy M. Welch ..... Health Director
Donna L. Mears ..... Director of Human Resources
Doris "Cookie" Palacios .....Director of Human Services
Peter R. Wallace..... Chief Information Officer
Betsy Fowler ..... Director of Libraries and Research Services
Michael J. Kalvort..... 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 ..... Director of Public Works
Michael L. Thomas ..... Procurement Administrator of Purchasing

School Board
Harry A. Murphy. .....Chairman
James A. Leftwich, Jr..... Vice Chairman

C. Jeff Bunn
Christie N. Craig
Bonita B. Harris
Brenda J. Johnson
Thomas L. Mercer, Sr.
Christina F. Pullen
Michael J. Woods

Other School Board Officials
Dr. James T. Roberts..... 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. Alan L. Vaughan..... Assistant Superintendent for Human Resources and School Services
Steven M. Gilbert..... Assistant Superintendent for Operations
Dr. Jean A. Infantino ..... Executive Director of Administrative Services / Clerk of the Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2011

Supplemental Listing

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chesapeake Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.

President

Executive Director

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Chesapeake
VIRGINIA

FINANCIAL SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chesapeake, Virginia, (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., which represents 26.24% and 22.51%, respectively, of the assets and revenues of the aggregate other discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., is based on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, 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 28, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison schedule for the general fund, 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, Bekaert + Holland, L.L.P.

Virginia Beach, Virginia
November 28, 2011

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

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2011

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, 2011. 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 2011

- During 2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which recognizes constraints imposed upon the use of the resources in governmental funds and categorizes the funds into five classifications based on the nature of those constraints. Additionally, revenues are recorded directly to the fund they benefit as opposed to flowing through the General Fund. Certain information from 2010 has been restated.
- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2011 by $1.405 billion (net assets). Of this amount, $196.5 million is unrestricted.
- The City's total net assets increased by $73.3 million from the prior year. The governmental net assets increased $52.2 million and business-type net assets increased by $21.1 million. The donation of infrastructure assets to the City, for governmental purposes of $2.2 million and business-type purposes of $3.1 million, contributed to the overall increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $350.5 million, an increase of $44.9 million from the prior year. Approximately 77.4% or $271.2 million of this amount is unrestricted – committed, assigned or unassigned.
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of $8.2 million. The original budget projected a deficiency of revenues and other financing sources over expenses and other financing uses of $7.6 million. Revised revenue and expense projections with a net reduction of $2.3 million coupled with a net increase in other financing uses of $4.0 million in fund transfers combined to result in a revised budget shortfall projection of $13.9 million. Through continued efforts by City management to control costs, particularly human resource costs, and the actual expenditures of $221.8 million were $7.6 million or 3.3% under budget and the increase over the prior year was limited to $.9 million or 0.4%.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was $19.4 million, or 5.0% of total General Fund expenditures (including payments to Chesapeake Public Schools). At June 30, 2010 the undesignated fund balance was $41.7 million and included $20.0 million of funds for emergency event response and recovery that are classified as committed in 2011 under GASB 54. The GASB 54 restatement of the General Fund fund balances at June 30, 2010 result in an unassigned fund balance of $20.9 million.
- The total fund balances of the General Fund of $138.2 million increased $8.2 million from the prior year. Fund balance composition at year end was 0.9% nonspendable, 24.9% restricted, 53.5% committed, 6.7% assigned and 14.0% unassigned.
- The City's total bonded debt increased by $10.7 million (approximately 2%) during the fiscal year. The City sold over $39.5 million of general obligation bonds for public improvements including but not limited to George Washington highway improvements, Public Safety EOC/EDC/back-up Network Ops Center and Animal Services facility. The City also sold $13.3 million of general obligation tax increment bonds to fund various capital projects in the South Norfolk and Greenbrier Tax Increment Financing Districts. General obligation water and sewer refunding bonds in the amount of $20.6 million were issued to refund all of the remaining outstanding 1995A Water and Sewer Bonds. This refunding resulted in an economic gain of $3.9 million and a net savings of $5.2 million in future debt service payments. These issuances were offset by scheduled debt principal repayments amounting to $39.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The first two statements presented are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.

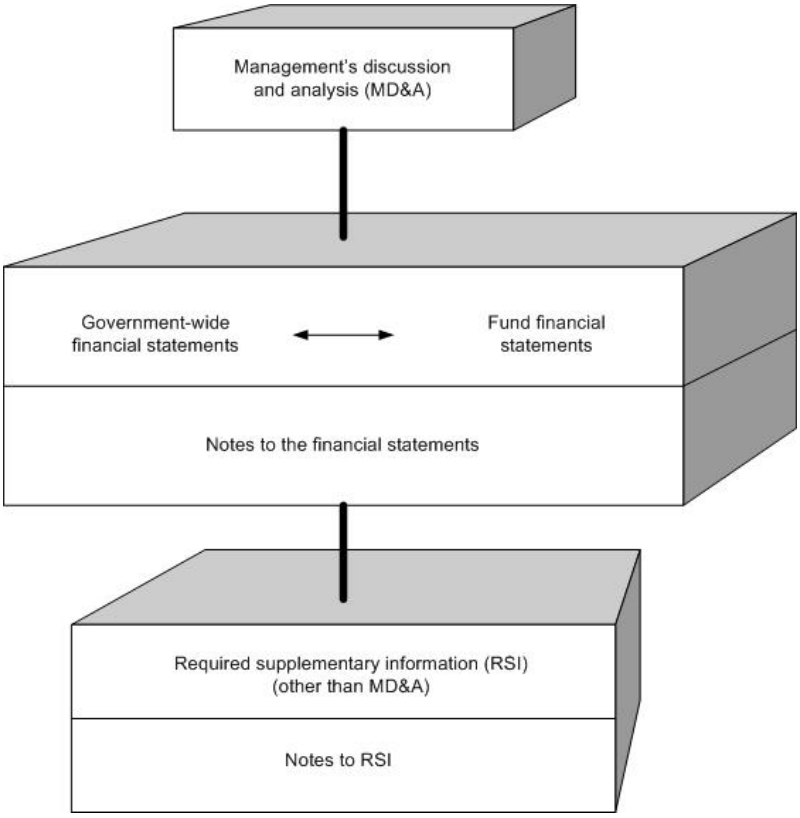
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.

  - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short-term* as well as what amounts remain for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses,* such as the public utilities (water and sewer) system. Also presented are internal services funds which are, for the most part, supported through charges to other funds to allocate the cost of services provided.
  - The *fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.
- The remaining statements are *other discretely presented component units' financial statements* that provide financial information about the Chesapeake Public Schools and the City's other discretely presented component units, which are aggregated on the *government-wide financial statements*.

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

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

Required Components of Chesapeake's Financial Statements



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

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets (assets exceeding liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Chesapeake, assets exceeded liabilities by $1.405 billion at the close of fiscal year 2011. By far the largest portion of the City's net assets (72.4%) are invested in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Statement of Net Assets

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

Summary of Net Assets
June 30, 2011 and 2010
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	$ 445.7	384.9	145.5	136.9	591.2	521.8
Capital assets	1,111.7	1,105.0	501.2	488.9	1,612.9	1,593.9
Total Assets	1,557.4	1,489.9	646.7	625.8	2,204.1	2,115.7
Liabilities						
Current and other liabilities	29.2	25.4	18.5	14.4	47.7	39.8
Long-term liabilities	517.7	506.3	233.2	237.4	750.9	743.7
Total liabilities	546.9	531.7	251.7	251.8	798.6	783.5
Net assets						
Invested in capital assets, net of related debt	735.2	711.4	282.3	274.6	1,017.5	986.0
Restricted net assets	77.7	74.7	113.9	100.6	191.6	175.3
Unrestricted net assets	197.6	172.1	(1.2)	(1.2)	196.4	170.9
Total net assets	1,010.5	958.2	395.0	374.0	1,405.5	1,332.2
Total liabilities and net assets	$ 1,557.4	1,489.9	646.7	625.8	2,204.1	2,115.7

Approximately 13.6% of the City's net assets are subject to external restrictions. The remaining balance of unrestricted net assets ($196.5 million or 14.0 %) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, for the primary government as a whole. In addition, all categories of net assets for its separate governmental and business-type activities are positive balances except for unrestricted net assets for business-type activities of ($1.2) million. Total unrestricted net assets increased by $25.5 million or 14.9% over the prior year. Total restricted net assets increased $16.3 million or 9.3%, largely due to bond proceeds restricted for capital projects, rate increases for fees collected in the business-type activities that must be spent on those specific activities and unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas. Lastly, net assets invested in capital assets, net of related debt, increased $31.5 million or 3.2%. The City's total net assets increased by $73.3 million or 5.5% during the fiscal year.

Governmental Activities

Net assets of the City's governmental activities increased by $52.3 million, as shown on the Statement of Activities, accounting for 71.3% of the total growth in net assets of the City. This increase was due to a variety of factors. Program revenues increased $12.4 million or 9.4% over the prior year. Charges for services increased $1.2 million and the $7.5 million decrease in capital grants and contributions was more than offset by the $18.6 million increase in operating grants and contributions. Total donated land and infrastructure assets, which include roads, were $2.2 million, reported in the Public Works function. Investment earnings fell 41.2% or $1.6 million. Expenses decreased by $42.0 million or 7.2%. Major decreases in the functional areas of general government ($5.0 million), public works ($7.9 million) and education ($34.5 million) were primarily attributed to capital outlay related spending. Additionally the first full year of recycling and reduced SPSA rates contributed to the public works decrease. General revenues and transfers for governmental activities decreased $11.2 million or 2.4% from the prior year. Property taxes decreased $8.3 million or 2.7% from the prior year while taxes other than property taxes increased $2.4 million or 2.1%. Transfers to governmental activities were $2.9 million or 93.5% less than last year.

Business-type Activities

The net assets of the City's business-type activities increased from $374.0 million to $395.0 million. These resources cannot be used to make up for any net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Expressway enterprise funds. One element of this increase was due to deeded and donated assets from developers in the amount of $3.1 million. Total revenues increased $12.2 million or 14.9% for business-type activities primarily due to the increased Public Utilities charges for services. Combined expenses decreased approximately 0.8% - a $1.5 million reduction in Expressway expenses and $1.0 million increase in expenses for Public Utilities and Stormwater Management. No expenses were incurred this year for the Jordan Bridge, which was closed and the assets conveyed to a private entity to construct and operate a replacement bridge.

Statement of Activities

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

Statement of Activities
Years Ended June 30, 2011 and 2010
(in millions)

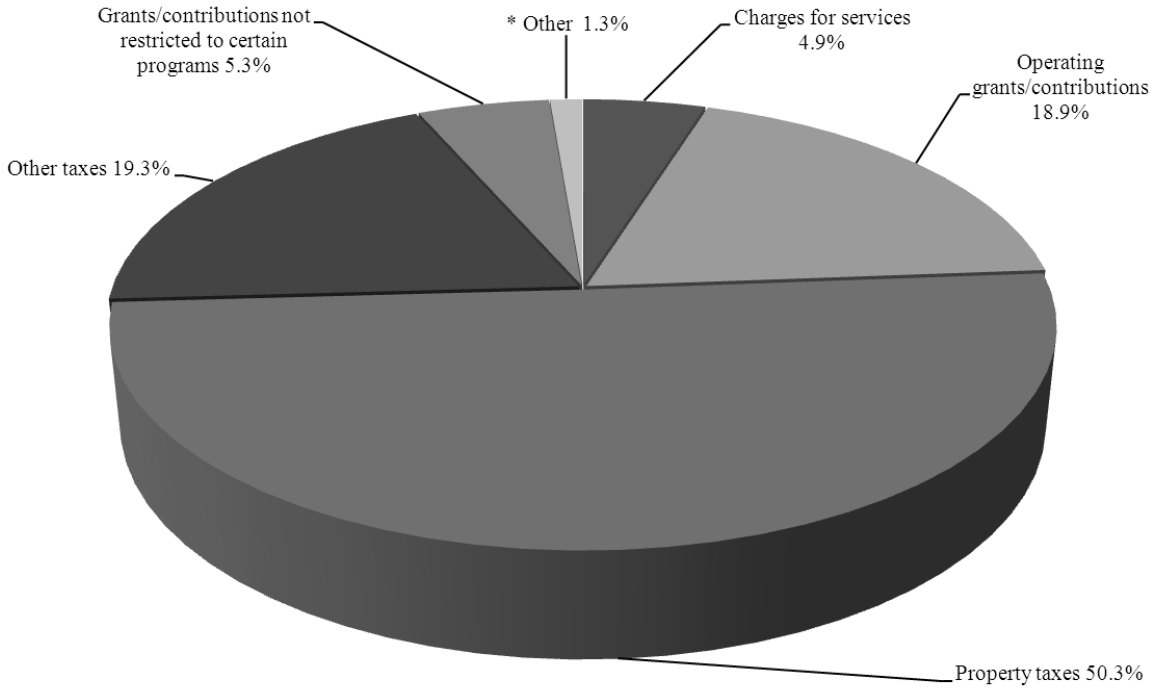
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	$ 29.3	28.1	89.6	77.0	118.9	105.1
Operating grants and contributions	112.5	93.9	1.2	1.1	113.7	95.0
Capital grants and contributions	2.8	10.3	3.1	3.6	5.9	13.9
General revenues						
Property taxes	298.9	307.2	-	-	298.9	307.2
Other taxes	114.8	112.3	-	-	114.8	112.3
Grants and contributions not restricted to specific programs	31.5	31.5	-	-	31.5	31.5
Unrestricted investment earnings	2.3	3.9	-	-	2.3	3.9
Other	2.8	3.5	-	-	2.8	3.5
Total revenues	594.9	590.7	93.9	81.7	688.8	672.4
Expenses						
General government	138.7	143.7	-	-	138.7	143.7
Public safety	90.5	87.1	-	-	90.5	87.1
Public works	40.2	48.1	-	-	40.2	48.1
Parks	8.3	7.8	-	-	8.3	7.8
Public welfare	44.4	42.5	-	-	44.4	42.5
Education	179.1	213.6	-	-	179.1	213.6
Public utilities	-	-	54.1	53.1	54.1	53.1
Chesapeake Expressway	-	-	9.7	11.2	9.7	11.2
Stormwater management	-	-	8.9	8.8	8.9	8.8
Interest on long-term debt	19.8	19.2	-	-	19.8	19.2
Depreciation and amortization - unallocated	21.8	22.8	-	-	21.8	22.8
Other	-		-	0.2	-	0.2
Total expenses	542.8	584.8	72.7	73.3	615.5	658.1
Excess before transfers	52.1	5.9	21.2	8.4	73.3	14.3
Transfers	0.2	3.1	(0.2)	(3.1)	-	-
Increase in net assets	52.3	9.0	21.0	5.3	73.3	14.3
Net assets - beginning	958.2	949.2	374.0	368.7	1,332.2	1,317.9
Net assets - ending	$ 1,010.5	958.2	395.0	374.0	1,405.5	1,332.2

Governmental Activities

The City's total revenues from governmental activities were $594.9 million for the fiscal year ended June 30, 2011. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled $298.9 million and accounted for 50.3% of total revenues. Property taxes decreased $8.3 million or 2.7% from the prior year. This follows a decline of 0.3% from fiscal 2009 to 2010 and an increase of 0.5% between 2008 and 2009. The real estate tax rate of $1.04 per $100 of assessed value with an additional $.01 for the Mosquito Control Commission remains unchanged from 2008 when it was reduced from the $1.09 real estate with $.02 Mosquito Control Commission rates of 2007.

Revenues from other taxes, $114.8 million, make up 19.3% of the City's revenues and increased 2.2% from the prior fiscal year, driven by consumer spending activity reflected in increased sales and use, business license, lodging and restaurant food taxes. Approximately 60.1% of the City's revenue from governmental and business-type activities comes from some type of tax, and 17.3% comes from fees charged for services in governmental activities.

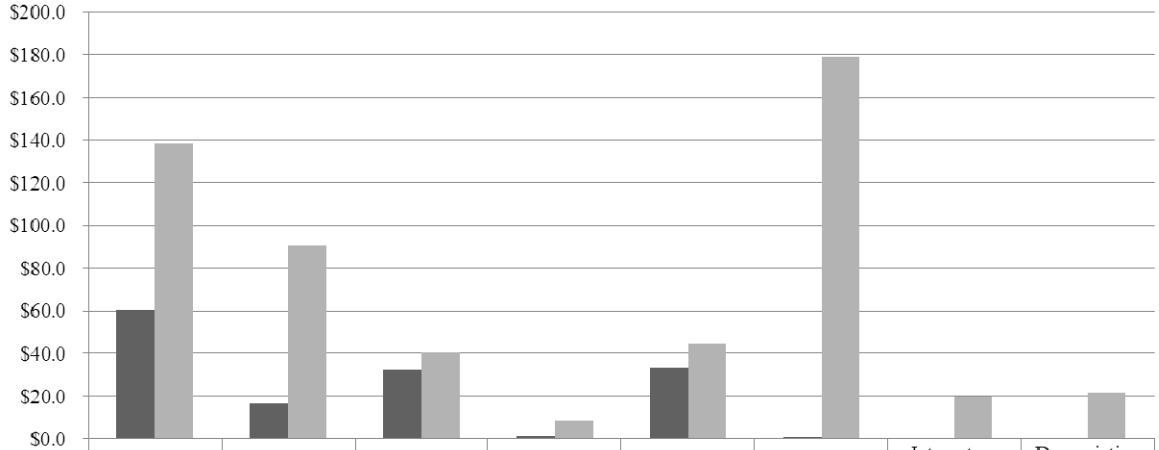
Revenues by Source – Governmental Activities – Year Ended June 30, 2011



*Other includes capital grants/contributions and unrestricted investment earnings

The City's expenses for governmental activities cover a wide range of services, with 16.7% or $90.5 million for fiscal year 2011 related to public safety and 33.0% or $179.1 million for fiscal year 2011 for education (including payments to the Public Schools, a component unit). Overall, expenses for governmental activities decreased by 7.2% which includes a 16.1% decrease in education.

Expenses and Program Revenues – Governmental Activities
Year Ended June 30, 2011
(in millions)



	General government	Public safety	Public works	Parks	Public welfare	Education	Interest on long-term debt	Depreciation and amortization
Program Revenues	$60.5	$16.3	$32.5	$1.4	$33.1	$0.9	-	-
Expenses	$138.7	$90.5	$40.2	$8.3	$44.4	$179.1	$19.8	$21.8

Business-Type Activities

Net assets for the City's business-type activities increased by $21.0 million largely as a result of revenues from fee and toll road rate increases and assets deeded over by developers. The increase in net assets accounted for 28.7% of the total growth in the City's net assets. Charges for services including water and sewer utility fees, stormwater fees, and toll revenues made up 95.4% of total revenues for business-type activities. The overall net decrease in expenses for all business-type activities was .8% which resulted largely from a reduction in renewal and replacement expenses for the Chesapeake Expressway.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of Chesapeake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2011, the governmental funds reported combined ending fund balances of $350.5 million, an increase of $44.9 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2011:

- $52.0 million spent in the Capital Projects Fund to fund capital items including animal services facility, projects and improvements in the Greenbrier and South Norfolk tax increment financing districts, continued progress on the U.S. Route 17/Dominion Boulevard/Steel Bridge project, Deep Creek Park Phase I development, citywide roadway resurfacing, bridge deck sealing and rehabilitation/replacement, implementation of the Human Resources Information System
- $169.4 million contributed from the City's General Fund to finance the Public Schools' operations
- $9.1 million of tax revenues generated by increased property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts.
- $52.8 of new borrowing and $34.2 million of principal retired

The City contributed $9.2 million to the OPEB Trust Fund, including $2.8 million considered pay-as-you-go. The OPEB Trust Fund was established in fiscal year 2008 during the City's implementation of Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 45 *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Approximately $271.2 million of the combined total fund balances constitutes unrestricted fund balance, which is comprised of funds committed or assigned at the discretion of City Council as well as unassigned funds. The $102.5 million of these unrestricted funds in the General Fund represent 26.2% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2011 were as follows:

- $25.6 million committed for operating emergencies
- $20.0 million committed for emergency event response and recovery
- $25.1 million committed for capital projects
- $34.6 million committed for various programs and projects
- $ 7.2 million committed for Schools capital projects
- $ 1.0 million committed for education
- $ 5.9 million committed for City capital projects
- $78.9 million assigned for future capital projects
- $40.6 million assigned for debt service
- $21.2 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2011, the unassigned fund balance, includes $19.4 million in the General Fund, the City's chief operating fund. Restricted funds total $77.8 million at year end and include $30.7 million for General Fund cash flow emergencies (6% of revenue as required by City Charter).

Total fund balance of the General Fund increased by $8.2 million for fiscal year 2011. The General Fund experienced an overall 5.5% decrease in revenue. The 8.7% decline in general property taxes discussed earlier is the single largest component of the revenue decrease. Investment income was down 60.7% due to a decrease in interest rates. Intergovernmental revenues from the Commonwealth of Virginia increased $7.5 million. The increase in this revenue source was primarily due to a change in funding from American Reinvestment and Recovery Act federal funds to State funds. Total expenditures decreased 5.2% from the prior fiscal year due primarily to a decrease in payments to Chesapeake Public Schools.

The Debt Service Fund ended the year with $41.1 million in total fund balance, an increase of $2.1 million from 2010. The assigned fund balance of $40.6 million is for the payment of debt service as directed by City Council.

Proprietary Funds

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

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year totaled $82.7 million. Annual growth was $9.5 million, partially resulting from the booking of deeded and donated utility improvements from developers in the amount of $3.1 million. The increase in restricted net assets prior to the impact of these transactions was $6.4 million. Approximately

$16.2 million was spent on various water and sewer renewal and replacement capital projects. $23.1 million of debt was defeased through the issuance of $20.1 million refunding bonds.
The Chesapeake Expressway toll road reported operating revenues for fiscal year 2011 totaling $8.2 million versus $7.1 million for 2010. The increase of 15.5% is due primarily to the implementation of new toll rates. Operating expenses for the year amounted to $7.7 million, with $4.5 million from depreciation expense. Net assets decreased by $1.7 million, with the Chesapeake Expressway Fund covering interest expense of $2.0 million on the toll road revenue bonds. A principal payment on the bonds was also paid in the amount of $0.5 million.

The Stormwater Management Fund, an enterprise fund, had $21.8 million in restricted net assets at June 30, 2011, up from $20.8 million in 2010. Operating revenues were $14.8 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately $5.4 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Year Ended June 30, 2011
(in millions)

	Original Budget *	Amended Budget	Actual
Revenues:			
Taxes	$ 364.2	364.2	375.5
Intergovernmental	79.6	80.6	80.6
Other	20.2	20.3	21.6
Total	464.0	465.1	477.7
Expenditures and transfers:			
Expenditures *	226.0	229.4	221.8
Transfers (net)	245.6	249.6	247.7
Total	471.6	479.0	469.5
Change in fund balance	$ (7.6)	(13.9)	8.2

*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of $1.5 million for encumbrances reappropriated from June 30, 2010.

Differences between the original budget and the final amended budget for the City's General Fund included $1.1 million of additional revenues and a net increase in appropriations and transfers of $7.4 million resulting in a $6.3 million decrease to the change in fund balance. Major changes included the following:

- Appropriation of $1.0 million in State maintenance funds for Public Works essential vehicle replacement and additional paving
- Appropriation of $2.5 million from the General Fund undesignated fund balance from prior year end resources to fund 1.5% employee pay raise
- Appropriation of $3.5 million from the General Fund undesignated fund balance from prior year end resources to fund Phase I Mainframe Migration Project
- Appropriation of $0.5 million for tax refund
- Appropriation of $1.6 million for Indian River High School modernization from the school lock box
- Appropriation of $1.4 million for HVAC projects at six City schools from the school lock box
- Appropriation to transfer $12.4 million from Special Revenue funds and $1.7 million from Terminated Benefits Fund to the General Fund for transfer of $10.3 million to the Self-insurance to fund to reduce fund deficit with the balance available for other purposes
- Appropriation to commit $1.0 million to schools operations
- Appropriation of $1.0 million for voting machines
- Appropriation to transfer $1.0 million to E-911 Fund toward replacement of public safety radios

Actual total revenues exceeded the amended budget by $12.6 million, primarily due to general property taxes exceeding budget by $11.3 million. The actual decline in property values was not as significant as estimated for the budget.

Expenditures were below the amended budget by $7.6 million. The general government category returned $4.6 million or 4.1% of its budget, partially due to $1.4 million appropriated for contingencies that were not required. Public Safety departments were $1.1 million or 1.3% below amended budget and Public Works departments were $1.9 million or 5.4% below the amended budget. No operating departments exceeded their budget in 2011, as all departments were encouraged to be conservative in their spending for the fiscal year. Although the amended budget called for a reduction of $13.9 in fund balance, the actual higher revenues and lower expenditures resulted in an increase in fund balance of $8.2 million – a favorable variance of $22.1 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to approximately $1.6 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 1.2% or $18.9 million (an increase of 0.6% for governmental activities and an increase of 2.5% for business-type activities).

Capital Assets (net of accumulated depreciation)
June 30, 2011 and 2010
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 41.5	39.0	22.2	21.2	63.7	60.2
Intangibles	261.8	258.5	3.1	3.0	264.9	261.5
Construction in progress	116.3	83.2	38.7	20.2	155.0	103.4
Buildings	384.3	399.1	4.3	4.4	388.6	403.5
Improvements other than buildings	15.9	17.8	2.4	2.5	18.3	20.3
Software, equipment and vehicles	42.5	42.9	1.3	1.5	43.8	44.4
Infrastructure	249.4	264.5	429.1	436.1	678.5	700.6
Total	$ 1,111.6	1,105.0	501.2	488.9	1,612.8	1,593.9

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

- Competed capital projects totaling $20.7 million for governmental activities.
- Completed capital projects totaling $5.3 million for business-type activities.
- Construction in progress totaled $116.3 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled $38.7 million for business-type activities, which includes Public Utility and Stormwater projects.

The City's fiscal year 2012 capital budget calls for the commencement of capital projects totaling $461.0 million during the fiscal year ending June 30, 2012, The major component is the U.S. Route 17/Dominion Boulevard/Steel Bridge project which totals $393.8 million over the next five years and is contingent upon a Council approved toll revenue plan of financing. Other projects budgeted to commence in fiscal year 2012 include:

- Relocation of Mosquito Control and Solid Waste facilities from the Greenbrier district adjacent to City Park to Butts Station
- Citywide re-grading and restoration of outfall ditches to maintain capacity and improve the quality of stormwater runoff
- General improvements to Community Centers and parks
- Fire Department Logistics Support Center replacement adjacent to Fire Station #10
- Joint use facility to replace Fire Station #7 and house new Police Precinct #6 in Hickory area of the City
- Public utilities renovations and improvements for water and sewer operations – some required by Virginia Department of Environmental Quality
- Information technology improvements include Disaster Recovery Backup Radio System, Financial Systems Upgrades and FCC Narrow-banding Compliance reconfiguration.
- Various Economic Development planning initiatives
- Chesapeake Public Schools Building and Improvements projects subject to prioritization by School officials

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

Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans) of $548.8 million. Of this amount, $492.4 million comprises debt backed by the full faith and credit of the City and $56.4 is debt secured by revenues of the water and sewer system and Chesapeake Expressway toll revenue.

City of Chesapeake Outstanding Debt
June 30, 2011 and 2010
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 384.3	365.7	104.4	111.3	488.7	477.0
Revenue bonds	-	-	56.4	56.8	56.4	56.8
Literary loans	2.4	3.0	-	-	2.4	3.0
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	$ 388.0	370.0	160.8	168.1	548.8	538.1

Chesapeake's total bonded debt increased by $10.7 million during the fiscal year. The City sold over $39.5 million in general obligation bonds for public improvements including but not limited to George Washington highway improvements, Public Safety EOC/EDC/back-up Network Ops Center and Animal Services facility. The City also sold $13.3 million of general obligation tax increment financing bonds - $7.0 million to fund various capital projects in the Greenbrier Tax Increment Financing District and $6.3 million to fund costs associated with the Library and Poindexter Streetscape projects in the South Norfolk Tax Increment Financing District. General obligation water and sewer refunding bonds in the amount of $20.6 million were issued to refund all of the remaining outstanding 1995A Water and Sewer Bonds. This refunding resulted in an economic gain of $3.9 million and a net savings of $5.2 million in future debt service payments. These issuances were offset by scheduled debt principal repayments amounting to $39.7 million.

Principal outstanding on lease revenue bonds backed by the City's general obligation pledge in the amount of $4.1 million, issued by a blended component unit, CSB of Chesapeake, Inc., have been reported with the City's total debt outstanding for governmental activities. An installment purchase agreement in the amount of $1.3 million is also included in the City's debt at June 30, 2011. 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.

Again in fiscal year 2011, Fitch Rating Service assigned a "AAA" rating to the City of Chesapeake, the highest bond rating available. The "AAA" rating was first awarded to the City in 2010.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2011 for the City of Chesapeake is 6.6%, which is a slight improvement from the 6.8% rate for in 2010. This compares to the average unemployment rates of 7.1% for the region, 6.5% for Virginia and 9.3% nationally for the same time period.
- Chesapeake's 2011 population estimate reflects an adjustment based on the results of the April 2010 official U.S. Census. This adjusted estimate is a decline of 1.5% from the prior year. The City population projections had shown a 1.2% average annual growth rate over the past decade. The City's Planning Department estimates a net population increase of .7% between the April 1, 2010 Census count and January 1, 2011.
- The City's real estate tax base decreased 4.5% from the prior year after a decline of 0.4% for 2010 versus 3.4% growth for 2009. Slight improvement was experienced in other taxes.
- Due to uncertain national, state and local economic conditions, evidenced locally by reduced real estate transactions, home values, construction permits and vehicle registrations, the City will continue to focus on core service delivery for the next three to five years. To help address the identified School and City capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.
- Rate increases, approved in prior fiscal years, for the Stormwater and Public Utility funds continue to provide resources for critical maintenance and operations in these areas.

All of these factors will be considered in preparing Chesapeake's budget for the 2012 fiscal year.

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

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

Government-Wide Financial Statements

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule A

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	$ 242,281,906	38,946,335	281,228,241	50,348,264	7,789,212
Receivables, net of allowance for uncollectible amounts (note 3)	88,597,722	26,063,235	114,660,957	39,169,143	16,449,766
Due from component units, net of allowance for uncollectible amounts (note 7)	358,100	-	358,100	-	-
Internal balances (note 1)	1,185,861	(1,185,861)	-	-	-
Inventories	1,562,719	1,098,463	2,661,182	1,227,720	7,721,835
Prepaid expenses	899,877	-	899,877	7,587	-
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	1,470,207	1,470,207	-	-
Cash restricted for debt service	-	2,635,017	2,635,017	-	-
Cash restricted for debt service with trustee	-	9,252,322	9,252,322	-	-
Cash with State Set-Aside (note 2)	1,217,229	-	1,217,229	-	-
Capital construction:					
Cash and temporary investments	101,101,651	47,648,675	148,750,326	26,350,652	-
Cash and temporary investments with trustee	6,477,525	17,208,429	23,685,954	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	549,777	-	549,777	-	-
Capital Assets (notes 4, 6, and 9):					
Land	41,523,836	22,194,950	63,718,786	17,277,065	1,645,988
Intangibles	261,812,496	3,055,552	264,868,048	-	-
Construction in progress	116,287,027	38,766,585	155,053,612	44,432,926	-
Buildings	584,981,748	5,623,195	590,604,943	96,221,404	3,608,999
Improvements other than buildings	25,640,358	3,125,200	28,765,558	5,604,230	17,660,150
Software, equipment and vehicles	110,494,738	8,956,855	119,451,593	71,562,861	1,944,572
Infrastructure	1,079,114,562	636,378,359	1,715,492,921	-	-
Accumulated depreciation	(1,108,166,756)	(216,927,905)	(1,325,094,661)	(60,313,040)	(12,014,417)
Other assets	1,443,159	1,345,123	2,788,282	-	127,436
Total assets	$ 1,557,363,535	646,654,736	2,204,018,271	291,888,812	44,933,541
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	$ 27,700,745	8,847,246	36,547,991	47,547,043	360,145
Unearned revenues	1,518,217	9,632,943	11,151,160	-	27,402
Due to primary government (note 7)	-	-	-	-	2,621,602
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	58,882,159	10,614,706	69,496,865	3,703,044	3,752,115
Due in more than one year	458,780,431	222,551,522	681,331,953	252,885,521	14,006,861
Total liabilities	546,881,552	251,646,417	798,527,969	304,135,608	20,768,125
Net Assets					
Invested in capital assets, net of related debt	735,161,026	282,334,648	1,017,495,674	166,568,308	11,072,192
Restricted for:					
Capital projects	7,208,270	2,969,658	10,177,928	22,133,039	-
Debt service	5,585,278	11,051,969	16,637,247	-	-
Other purposes:					
Expendable:					
General Fund	33,251,847	-	33,251,847	-	-
Special Projects	31,436,179	-	31,436,179	-	-
Educational Purposes	174,245	-	174,245	-	-
Public Works	12,112	-	12,112	-	-
Public Utilities Fund Operations	-	75,341,142	75,341,142	-	-
Chesapeake Expressway Fund Operations	-	2,716,835	2,716,835	-	-
Stormwater Management Fund Operations	-	21,779,928	21,779,928	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	884,637
Chesapeake Airport Authority	-	-	-	-	349,719
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	197,640,231	(1,185,861)	196,454,370	(200,948,143)	11,858,868
Total net assets (deficit)	1,010,481,983	395,008,319	1,405,490,302	(12,246,796)	24,165,416
Total liabilities and net assets	$ 1,557,363,535	646,654,736	2,204,018,271	291,888,812	44,933,541

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

CITY OF CHESAPEAKE, VIRGINIA

Statement of Activities

Year Ended June 30, 2011

Schedule B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discretely Presented Component Units: Public Schools	Discretely Presented Component Units: Others
PRIMARY GOVERNMENT									
Governmental activities:									
General government	$ 138,721,838	15,176,526	45,063,099	238,175	(78,244,038)	-	(78,244,038)	-	-
Public safety	90,494,294	7,170,555	9,103,053	29,906	(74,190,780)	-	(74,190,780)	-	-
Public works	40,170,140	1,819,486	28,456,782	2,241,777	(7,652,095)	-	(7,652,095)	-	-
Parks	8,344,251	1,203,236	217,822	-	(6,923,193)	-	(6,923,193)	-	-
Public welfare	44,417,008	3,907,048	29,160,831	-	(11,349,129)	-	(11,349,129)	-	-
Education	179,064,673	-	541,908	330,649	(178,192,116)	-	(178,192,116)	-	-
Interest on long term debt	19,801,226	-	-	-	(19,801,226)	-	(19,801,226)	-	-
Depreciation and amortization - net unallocated portion (note 4)	21,783,568	-	-	-	(21,783,568)	-	(21,783,568)	-	-
Total governmental activities	542,796,998	29,276,851	112,543,495	2,840,507	(398,136,145)	-	(398,136,145)	-	-
Business-type activities:									
Public Utilities	54,051,300	66,688,401	1,002,558	3,102,397	-	16,742,056	16,742,056	-	-
Chesapeake Expressway	9,728,730	8,151,134	-	-	-	(1,577,596)	(1,577,596)	-	-
Stormwater Management	8,903,174	14,767,660	183,409	-	-	6,047,895	6,047,895	-	-
Total business-type activities	72,683,204	89,607,195	1,185,967	3,102,397	-	21,212,355	21,212,355	-	-
Total primary government	$ 615,480,202	118,884,046	113,729,462	5,942,904	(398,136,145)	21,212,355	(376,923,790)	-	-
COMPONENT UNITS									
Public Schools	$ 474,747,371	7,243,389	94,135,909	1,125,139	-	-	-	(372,242,934)	-
Chesapeake Mosquito Control Commission	4,087,128	-	3,919,448	-	-	-	-	-	(167,680)
Economic Development Authority	1,521,383	-	1,430,741	-	-	-	-	-	(90,642)
Chesapeake Port Authority	38,752	38,550	6,662	-	-	-	-	-	6,460
Chesapeake Airport Authority	1,297,329	435,781	1,004,157	-	-	-	-	-	142,609
Elizabeth River Properties of Chesapeake, Inc	116,800	96,100	31,530	-	-	-	-	-	10,830
Total component units	$ 481,808,763	7,813,820	100,528,447	1,125,139	-	-	-	(372,242,934)	(98,423)
General revenues:									
Taxes:									
Property taxes, levied for general purposes					$ 298,873,974	-	298,873,974	-	-
Local sales and use taxes					32,065,910	-	32,065,910	-	-
Consumer utility taxes					10,312,035	-	10,312,035	-	-
Communication sales tax					12,390,314	-	12,390,314	-	-
Business license taxes					23,030,916	-	23,030,916	-	-
Local utility consumption tax					909,137	-	909,137	-	-
Bank stock taxes					1,440,174	-	1,440,174	-	-
Taxes on recordation and wills					2,413,307	-	2,413,307	-	-
Tobacco taxes					4,665,441	-	4,665,441	-	-
Hotel and motel room taxes					5,370,775	-	5,370,775	-	-
Restaurant food taxes					21,107,876	-	21,107,876	-	-
Admission taxes					669,842	-	669,842	-	-
Short-term rental taxes					275,504	-	275,504	-	-
Pari-mutuel waging pool tax					99,306	-	99,306	-	-
Payment from City					-	-	-	171,309,720	-
Grants and contributions not restricted to specific programs					31,510,142	-	31,510,142	152,297,184	-
Unrestricted investment earnings					2,281,828	-	2,281,828	591,149	-
Miscellaneous					2,778,515	-	2,778,515	1,065,443	-
Transfers					160,429	(160,429)	-	-	-
Total general revenues and transfers					450,355,425	(160,429)	450,194,996	325,263,496	-
Change in net assets					52,219,280	21,051,926	73,271,206	(46,979,438)	(98,423)
Net assets - beginning					958,262,703	373,956,393	1,332,219,096	34,732,642	24,263,839
Net assets (deficit) - ending					$ 1,010,481,983	395,008,319	1,405,490,302	(12,246,796)	24,165,416

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

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Chesapeake
VIRGINIA

Fund Financial Statements

Chesapeake
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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.

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
Governmental Funds
June 30, 2011

		General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and temporary investments (note 2)	$	101,578,674	40,742,111	-	61,967,950	204,288,735
Intergovernmental revenues due from (note 3):						
Commonwealth of Virginia:						
Local sales tax		2,626,315	-	-	-	2,626,315
State categorical aid		1,547,668	-	-	-	1,547,668
Personal property tax relief act		28,590,001	-	-	-	28,590,001
Other		102,852	-	236,300	1,170,330	1,509,482
Federal government		-	-	7,395,172	1,555,403	8,950,575
Federal government - American Reinvestment and Recovery Act		-	-	-	693,790	693,790
Receivables (note 3):						
Property taxes		29,847,829	-	-	-	29,847,829
Accounts receivable		6,993,184	-	203,946	2,949,189	10,146,319
Utility taxes		1,886,837	-	-	-	1,886,837
Interest		422,019	167,853	40	3,341	593,253
Fines		179,706	-	-	54,860	234,566
Ambulance fees		2,867,559	-	-	-	2,867,559
Restaurant and food tax		1,849,890	-	-	-	1,849,890
Other		2,055,573	-	-	365,238	2,420,811
Allowance for uncollectible amounts		(4,199,411)	-	-	(1,397,271)	(5,596,682)
Inventory		1,060,337	-	-	12,995	1,073,332
Due from other funds (note 8)		61,287	-	-	-	61,287
Prepaid expenditures and other assets		3,919	-	-	-	3,919
Restricted assets (note 2):						
Cash with state set-aside (note 6)		1,217,229	-	-	-	1,217,229
Capital construction:						
Cash and temporary investments		-	-	101,101,651	-	101,101,651
Cash and temporary investments with trustee		-	-	6,477,525	-	6,477,525
Investment		-	-	-	549,777	549,777
Advances to component units (note 7):						
Economic Development Authority		1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority		151,580	206,520	-	-	358,100
Chesapeake Port Authority		944,407	-	-	-	944,407
Allowance for doubtful accounts		(2,263,502)	-	-	-	(2,263,502)
Total assets	$	178,843,048	41,116,484	115,414,634	67,925,602	403,299,768
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable (note 3)	$	4,114,533	3,400	-	5,824,454	9,942,387
Deposits (note 3)		1,716,493	-	-	102,184	1,818,677
Accrued expenditures (note 3)		4,153,034	-	-	149,137	4,302,171
Deferred revenues (note 5)		30,657,531	-	-	1,111,012	31,768,543
Payables from restricted assets:						
Construction projects payable (note 3)		-	-	4,929,252	-	4,929,252
Due to other funds (note 8)		-	-	-	61,287	61,287
Total liabilities		40,641,591	3,400	4,929,252	7,248,074	52,822,317
Fund Balances (note 12)						
Nonspendable		1,215,836	206,520	-	25,790	1,448,146
Restricted for cash flow emergencies		30,710,709	-	-	-	30,710,709
Restricted other		3,758,367	336,106	6,477,525	36,511,299	47,083,297
Committed for operating emergencies		25,592,084	-	-	-	25,592,084
Committed for emergency event response and recovery		20,000,000	-	-	-	20,000,000
Committed other		28,300,785	-	25,082,481	12,201,096	65,584,362
Assigned		9,217,166	40,570,458	78,925,376	11,970,198	140,683,198
Unassigned		19,406,510	-	-	(30,855)	19,375,655
Total fund balances		138,201,457	41,113,084	110,485,382	60,677,528	350,477,451
Total liabilities and fund balances	$	178,843,048	41,116,484	115,414,634	67,925,602	403,299,768

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

(Continued)

Balance Sheet
Governmental Funds
June 30, 2011

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		$ 350,477,451
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 $41,778,138 associated with the internal service funds as indicated below.		
Capital assets		1,069,909,871
Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets.		1,443,159
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.		30,250,325
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 $1,229,016 as noted on Schedule E.		
Capital assets	41,778,138	
Long-term debt	(30,178,296)	
Other assets and liabilities	39,795,549	51,395,391
Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds.		(5,509,920)
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 $30,178,296 associated with the internal service funds as indicated above.		
Long-term debt related to assets	(436,437,723)	
Long-term debt not related to assets	(51,046,571)	(487,484,294)
Net assets of governmental activities		$ 1,010,481,983

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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule D***

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

		General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	$	268,995,621	-	-	27,636,973	296,632,594
Other local taxes		106,469,866	-	-	8,280,671	114,750,537
Licenses, permits, and fees		7,972,072	-	-	-	7,972,072
Fines and forfeitures		2,261,473	-	-	-	2,261,473
Investment income		511,074	307,785	914,838	316,473	2,050,170
Revenues from use of property		217,825	54,889	-	505,883	778,597
Charges for services		9,940,678	-	-	8,887,955	18,828,633
Miscellaneous local revenues		484,826	646,577	-	663,238	1,794,641
Recovered costs		214,572	-	3,308	1,591,824	1,809,704
Program income		-	-	-	124,629	124,629
Revenues from local developers		20,000	-	392,363	-	412,363
Intergovernmental revenues:						
Commonwealth of Virginia		80,332,943	223,734	2,583,813	20,235,881	103,376,371
Federal government		224,053	-	15,933,871	15,143,894	31,301,818
Federal government - American Reinvestment and Recovery Act		-	584,678	5,263,613	1,660,470	7,508,761
Chesapeake Public Schools		252,124	289,783	-	-	541,907
Total revenues		477,897,127	2,107,446	25,091,806	85,047,891	590,144,270
EXPENDITURES						
Current:						
General government		103,884,746	-	-	11,803,390	115,688,136
Public safety		82,591,460	-	-	7,238,782	89,830,242
Public works		32,093,376	-	-	16,509,367	48,602,743
Parks		-	-	-	8,397,383	8,397,383
Public welfare		-	-	-	44,026,969	44,026,969
Public welfare - Payments to Elizabeth River Properties of Cheseapeake, Inc.		-	-	-	43,133	43,133
Education - Payments to Public Schools		169,437,680	-	-	1,872,040	171,309,720
Capital outlay		993,735	-	52,006,388	3,570,655	56,570,778
Debt service		2,227,948	54,709,137	-	695,528	57,632,613
Total expenditures		391,228,945	54,709,137	52,006,388	94,157,247	592,101,717
Excess (deficiency) of revenues over (under) expenditures		86,668,182	(52,601,691)	(26,914,582)	(9,109,356)	(1,957,447)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds (note 8)		16,051,623	54,301,276	13,022,008	26,412,398	109,787,305
General obligation bonds issued (note 6)		-	300,684	52,544,316	-	52,845,000
Transfers to other funds (note 8)		(94,531,547)	-	(1,130,012)	(20,933,862)	(116,595,421)
Premiums on general obligation bonds issued (note 6)		-	70,002	700,235	-	770,237
Total other financing sources (uses)		**(78,479,924)**	**54,671,962**	**65,136,547**	**5,478,536**	**46,807,121**
Net change in fund balance		8,188,258	2,070,271	38,221,965	(3,630,820)	44,849,674
Fund balance - beginning		130,013,199	39,042,813	72,263,417	64,308,348	305,627,777
Fund balance - ending	$	**138,201,457**	**41,113,084**	**110,485,382**	**60,677,528**	**350,477,451**

(Continued)

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

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			$ 44,849,674
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	(38,779,419)	
	Capital outlay expenditures	56,253,098	
	Donated assets	2,238,540	
	Noncapitalizable assets related to closed projects	(4,201,601)	
	Asset transfers	(919,217)	
	Loss on disposal	(2,787,633)	
			11,803,768
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.			2,241,380
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)	(52,739,179)	
	Principal repayments	40,832,461	
			(11,906,718)
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	(64,720)	
	Compensated absences	514,649	
	Net pension obligation	(3,457)	
	Net other post employment benefit obligation	(3,648,067)	
			(3,201,595)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses), excluding capital contributions from the primary government, of certain activities of the internal service funds are reported with governmental activities.			8,432,771
Change in net assets of governmental activities			$ 52,219,280

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

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Chesapeake
VIRGINIA

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

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

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

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

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA *Schedule E*

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds				
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and temporary investments (note 2)	$ 34,140,842	771,313	4,034,180	38,946,335	37,993,171
Receivables (note 3):					
Accounts	17,396,536	510,906	9,894,908	27,802,350	334,671
Interest	113,112	-	18,619	131,731	94,838
Allowance for uncollectible amounts	(1,836,341)	-	(193,919)	(2,030,260)	-
Inventory of materials and supplies	1,095,922	-	2,541	1,098,463	489,387
Prepaid expenses	-	-	-	-	895,958
Total current assets	50,910,071	1,282,219	13,756,329	65,948,619	39,808,025
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	1,470,207	-	1,470,207	-
Cash restricted for debt service	2,635,017	-	-	2,635,017	-
Cash restricted for debt service with trustee	4,664,817	4,587,505	-	9,252,322	-
Capital construction:					
Cash and temporary investments	31,109,407	11,858	16,527,410	47,648,675	-
Cash and temporary investments with trustee	14,243,335	2,965,094	-	17,208,429	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	53,652,576	9,034,664	16,527,410	79,214,650	-
Accounts receivable (note 3)	159,414	-	-	159,414	-
Capital assets (note 4 and note 9):					
Land	10,732,262	11,105,618	357,070	22,194,950	-
Intangibles	2,183,911	-	871,641	3,055,552	-
Construction in progress	31,810,180	-	6,956,405	38,766,585	83,890
Buildings	73,598	5,389,295	160,302	5,623,195	600,465
Improvements other than buildings	3,026,653	-	98,547	3,125,200	5,911,130
Equipment and vehicles	3,487,111	5,312,979	156,765	8,956,855	87,116,665
Infrastructure	536,005,315	82,355,685	18,017,359	636,378,359	34,734
Less accumulated depreciation	(168,232,333)	(45,565,571)	(3,130,001)	(216,927,905)	(51,968,746)
Total capital assets, net of accumulated depreciation	419,086,697	58,598,006	23,488,088	501,172,791	41,778,138
Other assets	1,215,310	129,813	-	1,345,123	-
Total noncurrent assets	474,113,997	67,762,483	40,015,498	581,891,978	41,778,138
Total assets	$ 525,024,068	69,044,702	53,771,827	647,840,597	81,586,163
LIABILITIES AND NET ASSETS					
Liabilities					
Current liabilities:					
Accounts payable (note 3)	$ 1,795,067	52,625	236,107	2,083,799	1,152,377
Accrued expenses and other liabilities (note 3)	1,436,732	921,762	35,001	2,393,495	45,961
Deposits (note 3)	717,146	-	-	717,146	-
Deferred revenues (note 5)	1,971,805	-	7,396,796	9,368,601	-
Construction projects payable (note 3)	3,037,078	-	615,728	3,652,806	-
Current portion of long-term debt (note 6)	5,701,110	4,369,520	-	10,070,630	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	1,001,373
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	394,674	47,900	101,502	544,076	215,627
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	7,645,679
Total current liabilities	15,053,612	5,391,807	8,385,134	28,830,553	10,061,017
Noncurrent liabilities:					
Deferred revenues (note 5)	264,342	-	-	264,342	-
General obligation bonds (note 6)	104,555,030	-	-	104,555,030	-
Revenue bonds (note 6)	35,703,154	19,291,832	-	54,994,986	-
Due to Commonwealth of Virginia (note 6)	-	62,365,372	-	62,365,372	-
Obligations under capital leases (note 6)	-	-	-	-	87,462
Accrued vacation, sick pay, and overtime leave (note 6)	461,452	56,005	118,677	636,134	252,112
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	20,976,043
Total noncurrent liabilities	140,983,978	81,713,209	118,677	222,815,864	21,315,617
Total liabilities	156,037,590	87,105,016	8,503,811	251,646,417	31,376,634
Net Assets					
Invested in capital assets, net of related debt	286,275,278	(27,428,718)	23,488,088	282,334,648	40,689,302
Restricted for:					
Capital projects	-	2,969,658	-	2,969,658	-
Debt service	7,370,058	3,681,911	-	11,051,969	-
Other purposes - Expendable:					
Public Utilities Fund	75,341,142	-	-	75,341,142	-
Chesapeake Expressway Fund	-	2,716,835	-	2,716,835	-
Stormwater Management Fund	-	-	21,779,928	21,779,928	-
Unrestricted	-	-	-	-	9,520,227
Total net assets (deficit)	368,986,478	(18,060,314)	45,268,016	396,194,180	50,209,529
Total liabilities and net assets	$ 525,024,068	69,044,702	53,771,827	647,840,597	81,586,163

Net assets of enterprise funds, Schedule E	$ 396,194,180
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,185,861)
Net assets of business-type activities, Schedule A	$ 395,008,319

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, 2011

	Enterprise Funds				
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services:					
Sale of water	$ 35,047,441	-	-	35,047,441	-
Billings to departments	-	-	-	-	29,386,952
Billings to outside agencies & component units	-	-	-	-	2,106,007
Sewer service charges	24,237,962	-	-	24,237,962	-
Stormwater management fees	-	-	14,730,478	14,730,478	-
Tolls and tickets	-	8,119,694	-	8,119,694	-
Rental fees	1,165,640	-	-	1,165,640	-
Connection fees	3,299,953	-	-	3,299,953	-
Miscellaneous	861,636	66	36,965	898,667	-
Recovered costs	2,075,769	31,374	217	2,107,360	148,663
Total operating revenues	66,688,401	8,151,134	14,767,660	89,607,195	31,641,622
OPERATING EXPENSES					
Cost of materials billed	-	-	-	-	4,845,865
Purchases for resale	16,401,196	-	-	16,401,196	1,223,315
Water production	7,045,848	-	-	7,045,848	-
Sewer maintenance and operation	4,846,560	-	-	4,846,560	-
Water maintenance and operation	2,785,337	-	-	2,785,337	-
Customer service	1,250,843	-	-	1,250,843	-
General and administrative	2,802,511	261,409	1,293,320	4,357,240	908,288
Technical services	1,204,489	-	-	1,204,489	-
Other salaries and wages	-	1,042,217	2,578,596	3,620,813	4,837,709
Other fringe benefits	-	448,586	1,201,719	1,650,305	1,868,554
Self-insurance losses	-	-	-	-	1,758,278
Indemnity and medical claims	-	-	-	-	3,737,738
Other repairs and supplies	-	345,462	1,941,680	2,287,142	1,814,451
Equipment rental	-	4,980	18,823	23,803	397,030
Other contractual services	-	1,149,555	1,038,147	2,187,702	627,203
Depreciation and amortization	10,801,850	4,458,471	561,134	15,821,455	8,167,598
Insurance premiums	-	-	-	-	1,293,301
Meter reading services	262,326	-	-	262,326	-
Other	8,160	12,879	-	21,039	-
Total operating expenses	47,409,120	7,723,559	8,633,419	63,766,098	31,479,330
Operating income (loss)	19,279,281	427,575	6,134,241	25,841,097	162,292
NONOPERATING REVENUES (EXPENSES)					
Investment income	349,736	-	183,409	533,145	231,655
Interest expense	(6,578,920)	(1,969,197)	-	(8,548,117)	(83,850)
Gain on sale of equipment	-	-	-	-	89,745
Loss on sale of equipment	(91,135)	(35,974)	(285,035)	(412,144)	(222,065)
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	652,822	-	-	652,822	-
Total nonoperating revenues (expenses)	(5,667,497)	(2,005,171)	(101,626)	(7,774,294)	15,485
Income (loss) before transfers and contributions	13,611,784	(1,577,596)	6,032,615	18,066,803	177,777
Transfers in (note 8)	-	-	-	-	10,474,379
Transfers out (note 8)	(500,000)	(79,646)	(500,000)	(1,079,646)	(2,586,617)
State capital grant	11,481	-	-	11,481	-
Capital contributions	4,003,253	-	6,880	4,010,133	11,770,594
Increase (decrease) in net assets	17,126,518	(1,657,242)	5,539,495	21,008,771	19,836,133
Total net assets (deficit) - beginning	351,859,960	(16,403,072)	39,728,521	375,185,409	30,373,396
Total net assets (deficit) - ending	$ 368,986,478	(18,060,314)	45,268,016	396,194,180	50,209,529

Change in net assets of enterprise funds, Schedule F	$ 21,008,771
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	43,155
Change in net assets of business-type activities, Schedule B	$ 21,051,926

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, 2011

	Enterprise Funds				
	Public Utilities	Chesapeake Expressway	Stormwater Management	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 65,498,579	7,870,586	14,329,174	87,698,339	31,558,273
Payments to suppliers	(26,692,907)	(1,851,887)	(4,319,255)	(32,864,049)	(18,261,294)
Payments to employees	(11,241,547)	(1,500,867)	(3,747,961)	(16,490,375)	(7,491,841)
Net cash provided by (used in) operating activities	27,564,125	4,517,832	6,261,958	38,343,915	5,805,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	10,474,379
Transfers out	(500,000)	(79,646)	(500,000)	(1,079,646)	(2,586,617)
Net cash provided by (used in) noncapital financing activities	(500,000)	(79,646)	(500,000)	(1,079,646)	7,887,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Commonwealth of Virginia	16,135	-	-	16,135	-
Proceeds from Federal Government	779,760	-	-	779,760	-
Proceeds from revenue bonds	20,625,000	-	-	20,625,000	-
Proceeds from sale of capital assets	-	-	-	-	119,544
Principal repayment of refunding long-term debt	(23,100,000)	-	-	(23,100,000)	-
Principal payment of long-term debt	(4,455,000)	(455,000)	-	(4,910,000)	-
Payment of bond issuance costs	(150,433)	-	-	(150,433)	-
Payment of refunding bonds costs	(87,558)		-	(87,558)	-
Premium on issuance of revenue bonds	2,985,584	-	-	2,985,584	-
Acquisition of capital assets	(18,444,197)	(35,974)	(5,350,722)	(23,830,893)	(2,880,527)
Increase (decrease) in construction projects payable	2,276,593	-	172,903	2,449,496	-
Interest paid	(6,441,401)	(1,537,750)	-	(7,979,151)	(83,850)
Repayments of obligations under capital leases	-	-	-	-	(1,624,859)
Net cash provided by (used in) capital and related financing activities	(25,995,517)	(2,028,724)	(5,177,819)	(33,202,060)	(4,469,692)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	415,164	-	180,398	595,562	185,167
Net cash provided by investing activities	415,164	-	180,398	595,562	185,167
Net increase (decrease) in cash and temporary investments	1,483,772	2,409,462	764,537	4,657,771	9,408,375
Cash and temporary investments beginning of year	86,309,646	7,396,515	19,797,053	113,503,214	28,584,796
Cash and temporary investments end of year	$ 87,793,418	9,805,977	20,561,590	118,160,985	37,993,171
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 19,279,281	427,575	6,134,241	25,841,097	162,292
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,801,850	4,458,471	561,134	15,821,455	8,167,598
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	(3,076,913)	(280,548)	(480,467)	(3,837,928)	(83,349)
Inventory of materials and supplies	(153,538)	-	3,329	(150,209)	(201,940)
Prepaid expenses and other assets	-	-	-	-	(17,179)
Accounts payable	(1,199,199)	(77,602)	(30,615)	(1,307,416)	791,310
Deferred revenues	-	-	41,982	41,982	-
Deposits	1,887,091	-	-	1,887,091	-
Accrued expenses and other liabilities	12,251	(3,947)	9,664	17,968	(774,414)
Liability for self insurance losses	-	-	-	-	(2,228,016)
Accrued vacation, sick pay, and overtime leave	13,302	(6,117)	22,690	29,875	(11,164)
Total adjustments	8,284,844	4,090,257	127,717	12,502,818	5,642,846
Net cash provided by (used in) operating activities	$ 27,564,125	4,517,832	6,261,958	38,343,915	5,805,138

Supplemental information on significant noncash transactions:

Public Utilities Fund:		
Contributions of capital assets	$ 4,003,253	
Internal Service Funds:		
Contributions of capital assets		$ 11,770,594

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

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund

Trust Fund – Includes Other Postemployment Benefits Fund

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA ***Schedule H-1***

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency	Other
	Special Welfare	Postemployment Benefits Trust
ASSETS		
Cash and temporary investments (note 2)	$ 4,272	-
Cash and temporary investments with trustee (note 2)	-	21,061,940
Total assets	4,272	21,061,940
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	-	31,669
Due to children under foster care	4,272	-
Total liabilities	4,272	31,669
Net Assets		
Net assets held in trust for other postemployment benefits	-	21,030,271
Total liabilities and net assets	$ 4,272	21,061,940

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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule H-2***

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2011

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	$ 9,249,892
Contributions from plan members (note 11)	1,765,592
Investment income:	
Interest and dividend income	1,610,571
Net appreciation in fair value of investments	808,747
Less investment expenses	48,707
Net investment income	2,370,611
Total additions	13,386,095
DEDUCTIONS	
Administrative expenses	21,741
Benefits and refunds paid on behalf of plan members and beneficiaries	4,521,936
Total deductions	4,543,677
Change in net assets	8,842,418
Net assets held in trust for other postemployment benefits - beginning of year	12,187,853
Net assets held in trust for other postemployment benefits - end of year	$ 21,030,271

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

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Chesapeake
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Discretely Presented Component Units

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

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

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

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

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

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

Chesapeake
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Schedule I-1

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

Statement of Net Assets – Governmental Activities
June 30, 2011

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

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

Schedule I-2

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

Statement of Activities – Governmental Activities
Year Ended June 30, 2011

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

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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule J-1***

Combining Statement of Net Assets
Other Discretely Presented Component Units
June 30, 2011

	Governmental Activities	Business-type Activities				
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.	Total
ASSETS						
Current assets:						
Cash and temporary investments (note 2)	$ 5,136,708	632,505	11,718	822,173	1,186,108	7,789,212
Receivables, net of allowance for uncollectible amounts	-	3,762,318	1,142	27,628	3,678	3,794,766
Inventories	378,933	7,342,902	-	-	-	7,721,835
Capital assets:						
Land	204,340	-	-	1,058,941	382,707	1,645,988
Buildings	2,675,601	-	-	-	926,051	3,601,652
Improvements other than buildings	14,897	-	-	17,645,253	7,347	17,667,497
Equipment and vehicles	1,771,085	-	-	173,487	-	1,944,572
Infrastructure	-	-	-	-	-	-
Less accumulated depreciation	(1,545,044)	-	-	(10,301,279)	(168,094)	(12,014,417)
Other assets	-	98,976	-	28,460	-	127,436
Noncurrent assets:						
Receivables, net of allowance for uncollectible amounts	-	12,655,000	-	-	-	12,655,000
Total assets	8,636,520	24,491,701	12,860	9,454,663	2,337,797	44,933,541
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	81,647	175,519	6,090	96,889	-	360,145
Deferred revenues	-		-	27,402	-	27,402
Due to primary government	-	1,319,095	944,407	358,100	-	2,621,602
Current portion of long-term debt	-	3,627,115	-	125,000	-	3,752,115
Long term liabilities	-	12,716,861	-	1,290,000	-	14,006,861
Total liabilities	81,647	17,838,590	950,497	1,897,391	-	20,768,125
Net Assets						
Invested in capital assets, net of related debt	3,120,879	-	-	6,803,302	1,148,011	11,072,192
Restricted	-	-	-	349,719	884,637	1,234,356
Unrestricted	5,433,994	6,653,111	(937,637)	404,251	305,149	11,858,868
Total net assets (deficit)	8,554,873	6,653,111	(937,637)	7,557,272	2,337,797	24,165,416
Total liabilities and net assets	$ 8,636,520	24,491,701	12,860	9,454,663	2,337,797	44,933,541

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule J-2*

Combining Statement of Activities
Other Discretely Presented Component Units
Year Ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets					
Functions/Programs	**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	$ 4,087,128	-	3,919,448	(167,680)	-	-	-	-	(167,680)
Business-type Activities									
Economic Development Authority	1,521,383	-	1,430,741	-	(90,642)	-	-	-	(90,642)
Chesapeake Port Authority	38,752	38,550	6,662	-	-	6,460	-	-	6,460
Chesapeake Airport Authority	1,297,329	435,781	1,004,157	-	-	-	142,609	-	142,609
Elizabeth River Properties of Chesapeake, Inc	116,800	96,100	31,530	-	-	-	-	10,830	10,830
Total component units	$ 7,061,392	570,431	6,392,538	(167,680)	(90,642)	6,460	142,609	10,830	(98,423)
	Change in net assets			$ (167,680)	(90,642)	6,460	142,609	10,830	(98,423)
	Net assets (deficit) - beginning			8,722,553	6,743,753	(944,097)	7,414,663	2,326,967	24,263,839
	Net assets (deficit) - ending			$ 8,554,873	6,653,111	(937,637)	7,557,272	2,337,797	24,165,416

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

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Chesapeake
VIRGINIA

Notes to Basic Financial Statements

Chesapeake
VIRGINIA

(1) Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

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

(Continued)

(1) Continued

- The Economic Development Authority of the City of Chesapeake (the EDA) was established under the Industrial Development and Revenue Bond Act, *Code of Virginia*. The EDA is responsible for promoting industry and developing trade by inducing manufacturing, industrial, and commercial enterprises to locate or to remain in the City. The City Council appoints the members of the Board of the EDA. The EDA issued lease revenue bonds for two major construction projects for which the City is the lessor. The City also appropriates funds annually to pay the administrative expenses of the EDA. Separate audited financial statements for the EDA are available through the City's Department of Economic Development at 676 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.

- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.

- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.

- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes of $.01 per $100 of assessed value for real estate properties and $.08 per $100 of assessed value for personal property. The Commission does not issue separate audited financial statements.

(Continued)

(1) Continued

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

- The South Norfolk Belharbour Waterfront Community Development Authority (CDA) was created by City Council on January 22, 2008 as a separate political entity pursuant to express authority given under Virginia law. The purpose of the Belharbour CDA is to assist in the funding, planning, establishing, acquiring, constructing or reconstructing, enlarging, extending, equipping, operating and maintaining public improvements in the Belharbour area. The board members, appointed by City Council, serve a four year term. As of June 30, 2011 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, 2011.

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

(Continued)

(1) Continued

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

Government-wide and Fund Financial Statements

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

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

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

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

(Continued)

(1) Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

In the fund financial statements, real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year end are reflected as deferred revenues. Sales and utility taxes, which are collected by the Commonwealth of Virginia or utility companies by year end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City.

(Continued)

(1) Continued

Licenses and permits, fines and forfeitures, charges for services, and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

(Continued)

(1) Continued

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature for specific purposes. Examples include providing services to mental health, mental retardation and substance abuse programs, juvenile detention services, emergency call center services, activities of the Community Development Block Grant Program, individual grant programs, tax increment financing districts, and rendering economic aid to certain qualifying citizens under several different programs. The Proffers Fund was created in 2010 to account for cash proffers provided to the City from developers for specific purposes.

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

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

Fiduciary funds:

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

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

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(1) Continued

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the government-wide financial statements and the fund financial statements of the proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor 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

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(1) Continued

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 investments are valued at amortized cost. Because the City uses the pooled cash investment method, individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

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

Receivables and Payables

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

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

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

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

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(1) Continued

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

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

Real Estate

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

Real estate taxes are collected in quarterly payments due September 30, December 30, March 30, and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, 2010, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2011 was $1.04 per $100 of assessed value with an additional $.01 per $100 of assessed value for mosquito control services.

Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2011 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2011 was $4.00 per $100 of assessed value with an additional $.08 per $100 of assessed value for mosquito control services.

Inventories and Prepaids

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

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(1) Continued

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

Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense in the amount of $811,937 was capitalized during fiscal year ended June 30, 2011 in the Public Utilities Fund.

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

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

Vacation, Sick Pay, and Accrued Overtime Leave

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

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(1) Continued

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

Long-term Obligations

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

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

Encumbrances

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

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(1) Continued

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

Changes in Accounting Principles

In fiscal 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement recognizes constraints imposed on the use of resources in governmental funds and categorizes the funds into five classifications based upon the nature of those constraints. Additionally, special revenue funds are redefined and revenues are recorded directly to the fund they benefit as opposed to flowing through the General Fund. The implementation of this statement resulted in the reclassification of fund balances for the City's governmental funds.

Fund Balances

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

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

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

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(1) Continued

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by City Councils' delegation of this authority to the City Manager or designee.

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

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

Minimum Fund Balance Policy

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

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(1) Continued

Net Assets

The government-wide statement of net assets reports $64,874,383 of expendable restricted net assets for other purposes, of which $33,251,847 is restricted by enabling legislation.

(2) Deposits and Investments

Deposits

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

The carrying value of pooled deposits, as of June 30, 2011 is $332,148,292 including petty cash of $45,835 and cash in the special welfare fiduciary fund of $4,272. Cash of $1,217,229 is being held by the Commonwealth of Virginia.

Investments

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

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Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote is the minimum rating required by the Virginia State Code, the City's investment policy, or the debt agreements as well as the actual investment ratings as of June 30, 2011.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

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

At June 30, 2011, the City was holding certificate of deposits in BB&T of $85,000,000 which represented 21.80%; TowneBank of $63,000,000 which represented 16.16%; and Suntrust of $26,000,000 which represented 6.67% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the

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(2) Continued

City's total investments other than U.S. Treasury securities, mutual funds, and external investment pools.

Interest Rate Risk

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

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

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

Foreign Currency Risk

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units, and the OPEB fiduciary trust fund have been pooled with the cash and investments of the primary government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to $2,652,504, have been excluded because risk information is not available.

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(2) Continued

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

Deposits and investments:		
Pooled deposits	$	332,148,292
State set-aside fund		1,217,229
Investments		239,325,388
Other component units		2,652,504
Total deposits and investments	$	575,343,413
Per Schedules A and H-1:		
Cash and temporary investments	$	339,369,989
Cash and temporary investments with trustee		22,532,147
Cash restricted for debt service		2,635,017
Cash restricted for debt service with trustee		9,252,322
Cash with State Set-Aside		1,217,229
Cash restricted for Public Utilities improvement and redemption		1,000,000
Investment - zero coupon bond		549,777
Capital construction - cash and temporary investments		175,100,978
Capital construction - cash and temporary investments with trustee		23,685,954
Total cash and temporary investments per Schedules A and H-1	$	575,343,413

(Continued)

(2) Continued

Investments by type at year-end are shown below:

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

(Continued)

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2011 are as follows:

		Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	$	34,273,466	-
Due from Federal government		9,644,365	-
Due from customers		2,854,850	25,931,504
Property taxes receivable		28,235,149	-
Interest receivable		688,091	131,731
Other		12,901,801	-
Total accounts receivable	$	88,597,722	26,063,235

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2011 are as follows:

		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	$	32,866,836	-	236,300	1,170,330
Due from Federal government		-	-	7,395,172	2,249,193
Property taxes receivable		28,235,149	-	-	-
Interest receivable		422,019	167,853	40	3,341
Other		13,246,018	-	203,946	1,972,016
Total accounts receivable	$	74,770,022	167,853	7,835,458	5,394,880

Property taxes receivable in the General Fund as of June 30, 2011 are as follows:

		Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	$	9,739,907	101,781	9,638,126
Personal property		20,100,789	1,510,899	18,589,890
Public service corporations		7,133	-	7,133
Total property taxes receivable	$	29,847,829	1,612,680	28,235,149

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(3) Continued

The total allowance for uncollectible amounts in the General Fund is $4,199,411, which includes a $1,537,013 allowance for uncollectible emergency medical service fees, a $139,580 allowance for uncollectible vehicle license fees, $76,138 allowance for uncollectible miscellaneous City invoices. Due to current economic conditions, the existing payment schedule for the Gateway at SoNo has not yet been fulfilled; therefore, an $834,000 allowance has been recorded. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from community services and uncollectible solid waste fees.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2011 are as follows:

	Due From Customers and Others	Interest Receivable
Public Utilities Fund	$ 15,719,609	113,112
Chesapeake Expressway Fund	510,906	-
Stormwater Management Fund	9,700,989	18,619
Internal Service Funds	334,671	94,838
Total accounts receivable	$ 26,266,175	226,569

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

Accounts payable, deposits, and accrued expenses in the Statement of Net Assets as of June 30, 2011 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	$ 11,094,764	2,083,799
Deposits	1,818,677	717,146
Accrued expenses, excluding interest	4,348,132	105,737
Construction projects payable	4,929,252	3,652,806
Accrued interest	5,509,920	2,287,758
Total accounts payable, deposits, and accrued expenses	$ 27,700,745	8,847,246

(Continued)

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2011 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	$ 5,831,026	4,153,034	-
Debt Service Fund	3,400	-	-
Capital Projects Fund	-	-	4,929,252
Other governmental funds	5,926,638	149,137	-
Total accounts payable, deposits, and accrued expenditures	$ 11,761,064	4,302,171	4,929,252

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2011 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	$ 2,512,213	54,569	3,037,078	1,382,163
Chesapeake Expressway Fund	52,625	16,167	-	905,595
Stormwater Management Fund	236,107	35,001	615,728	-
Internal Service Funds	1,152,377	45,961	-	-
Total accounts payable, deposits, and accrued expenses	$ 3,953,322	151,698	3,652,806	2,287,758

(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary government
Governmental activities:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	35,958,472	2,549,283	-	38,507,755
Land - School		3,016,081	-	-	3,016,081
Intangibles		258,530,657	3,281,839	-	261,812,496
Construction in progress		83,085,049	54,235,638	(21,117,550)	116,203,137
Construction in progress - ISF		76,711	40,989	(33,810)	83,890
Total capital assets, not being depreciated		380,666,970	60,107,749	(21,151,360)	419,623,359
Capital assets, being depreciated:					
Buildings		186,335,861	396,769	(507,072)	186,225,558
Buildings - ISF		157,949	442,516	-	600,465
Buildings - School		404,176,912	-	(6,021,187)	398,155,725
Improvements other than buildings		32,373,460	39,942	(12,684,174)	19,729,228
Improvements other than buildings - ISF		398,303	5,512,827	-	5,911,130
Equipment and vehicles		23,090,872	1,701,563	(1,414,362)	23,378,073
Software,equipment and vehicles - ISF		80,841,238	8,688,601	(2,413,174)	87,116,665
Infrastructure		1,071,943,765	7,136,063	-	1,079,079,828
Infrastructure - ISF		34,734	-	-	34,734
Total capital assets being depreciated		1,799,353,094	23,918,281	(23,039,969)	1,800,231,406
Less accumulated depreciation for:					
Buildings		(64,995,334)	(4,661,164)	86,632	(69,569,866)
Buildings - ISF		(61,397)	(9,995)	-	(71,392)
Buildings - School		(126,509,887)	(7,754,953)	3,266,706	(130,998,134)
Improvements other than buildings		(14,669,455)	(1,555,114)	7,171,346	(9,053,223)
Improvements other than buildings - ISF		(318,824)	(390,606)	-	(709,430)
Equipment and vehicles		(15,454,605)	(2,519,051)	1,101,540	(16,872,116)
Software,equipment and vehicles - ISF		(45,581,150)	(7,766,129)	2,161,309	(51,185,970)
Infrastructure		(807,415,534)	(22,289,137)	-	(829,704,671)
Infrastructure - ISF		(1,086)	(868)	-	(1,954)
Total accumulated depreciation		(1,075,007,272)	(46,947,017)	13,787,533	(1,108,166,756)
Total capital assets being depreciated, net		724,345,822	(23,028,736)	(9,252,436)	692,064,650
Capital assets, net	$	1,105,012,792	37,079,013	(30,403,796)	1,111,688,009

(Continued)

(4) Continued

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

Governmental Activities capital assets net of accumulated depreciation at June 30, 2011 are comprised of the following:

General Government Capital Assets, net	$	1,069,909,871
Internal Service Fund Capital Assets, net		41,778,138
Total	$	1,111,688,009

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

General government	$	6,201,206
Public safety		1,053,513
Public works		1,117,000
Public welfare		216,912
Parks		146,698
Education		7,754,953
Net unallocated portion (depreciation of general infrastructure assets)		22,289,137
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		8,167,598
Total depreciation expense, governmental activities	$	46,947,017

Depreciation and amortization expense, net unallocated portion, for governmental activities of $21,783,568 includes the unallocated portion of depreciation expense noted above of $22,289,137 net of amortization of bond costs of issuance, deferred bond premiums and refunding costs of $505,569.

(Continued)

(4) Continued

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

Function	Project Authorization	Expended to June 30, 2011	Committed	Required Future Financing
General government	$ 117,414,814	32,435,964	84,978,850	none
Public safety	41,528,611	19,267,155	22,261,456	none
Public works	99,883,748	54,126,035	45,757,713	none
Parks	15,073,048	10,457,873	4,615,175	none
Education	1,458,678	-	1,458,678	none
Total	$ 275,358,899	116,287,027	159,071,872	-

(Continued)

(4) Continued

Business-type activities:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	21,229,546	965,404	-	22,194,950
Intangibles		2,986,767	68,785	-	3,055,552
Construction in progress		20,154,664	23,980,380	(5,368,459)	38,766,585
Total capital assets, not being depreciated		44,370,977	25,014,569	(5,368,459)	64,017,087
Capital assets, being depreciated:					
Buildings		5,623,195	-	-	5,623,195
Improvements other than buildings		3,118,300	6,900	-	3,125,200
Equipment and vehicles		8,621,395	883,835	(548,375)	8,956,855
Infrastructure		628,262,241	8,116,118	-	636,378,359
Total capital assets, being depreciated		645,625,131	9,006,853	(548,375)	654,083,609
Less accumulated depreciation for:					
Buildings		(1,182,488)	(152,148)	-	(1,334,636)
Improvements other than buildings		(657,297)	(79,258)	-	(736,555)
Equipment and vehicles		(7,087,978)	(630,759)	136,231	(7,582,506)
Infrastructure		(192,157,603)	(15,116,605)	-	(207,274,208)
Total accumulated depreciation		(201,085,366)	(15,978,770)	136,231	(216,927,905)
Total capital assets being depreciated, net		444,539,765	(6,971,917)	(412,144)	437,155,704
Capital assets, net	$	488,910,742	18,042,652	(5,780,603)	501,172,791

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

Public Utilities	$	10,976,857
Chesapeake Expressway		4,440,779
Stormwater Management		561,134
Total depreciation expense, business-type activities	$	15,978,770

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately $64.5 million at June 30, 2011. There was $811,937 of capitalized interest incurred this fiscal year related to construction in progress.

(Continued)

(4) Continued

Public Utilities Fund:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	9,798,153	934,109	-	10,732,262
Intangibles		2,174,179	9,732	-	2,183,911
Construction in progress		16,564,835	19,025,895	(3,780,550)	31,810,180
Total capital assets, not being depreciated		28,537,167	19,969,736	(3,780,550)	44,726,353
Capital assets, being depreciated:					
Buildings		73,598	-	-	73,598
Improvements other than buildings		3,019,753	6,900	-	3,026,653
Equipment and vehicles		3,179,385	535,092	(227,366)	3,487,111
Infrastructure		529,477,106	6,528,209	-	536,005,315
Total capital assets, being depreciated		535,749,842	7,070,201	(227,366)	542,592,677
Less accumulated depreciation for:					
Buildings		(35,354)	(1,386)	-	(36,740)
Improvements other than buildings		(649,906)	(74,331)	-	(724,237)
Equipment and vehicles		(2,278,091)	(256,903)	136,231	(2,398,763)
Infrastructure		(154,428,356)	(10,644,237)	-	(165,072,593)
Total accumulated depreciation		(157,391,707)	(10,976,857)	136,231	(168,232,333)
Total capital assets being depreciated, net		378,358,135	(3,906,656)	(91,135)	374,360,344
Capital assets, net	$	406,895,302	16,063,080	(3,871,685)	419,086,697

(Continued)

(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		5,312,979	35,974	(35,974)	5,312,979
Infrastructure		82,355,685	-	-	82,355,685
Total capital assets, being depreciated		93,057,959	35,974	(35,974)	93,057,959
Less accumulated depreciation for:					
Buildings		(1,121,753)	(134,732)	-	(1,256,485)
Equipment and vehicles		(4,746,467)	(357,151)	-	(5,103,618)
Infrastructure		(35,256,572)	(3,948,896)	-	(39,205,468)
Total accumulated depreciation		(41,124,792)	(4,440,779)	-	(45,565,571)
Total capital assets being depreciated, net		51,933,167	(4,404,805)	(35,974)	47,492,388
Capital assets, net	$	63,038,785	(4,404,805)	(35,974)	58,598,006

(Continued)

(4) Continued

Stormwater Management Fund:

		Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:					
Land	$	325,775	31,295	-	357,070
Intangibles		812,588	59,053	-	871,641
Construction in progress		3,589,829	4,954,485	(1,587,909)	6,956,405
Total capital assets, not being depreciated		4,728,192	5,044,833	(1,587,909)	8,185,116
Capital assets, being depreciated:					
Buildings		160,302	-	-	160,302
Improvements other than buildings		98,547	-	-	98,547
Equipment and vehicles		129,031	312,769	(285,035)	156,765
Infrastructure		16,429,450	1,587,909	-	18,017,359
Total capital assets, being depreciated		16,817,330	1,900,678	(285,035)	18,432,973
Less accumulated depreciation for:					
Buildings		(25,381)	(16,030)	-	(41,411)
Improvements other than buildings		(7,391)	(4,927)	-	(12,318)
Equipment and vehicles		(63,420)	(16,705)	-	(80,125)
Infrastructure		(2,472,675)	(523,472)	-	(2,996,147)
Total accumulated depreciation		(2,568,867)	(561,134)	-	(3,130,001)
Total capital assets being depreciated, net		14,248,463	1,339,544	(285,035)	15,302,972
Capital assets, net	$	18,976,655	6,384,377	(1,872,944)	23,488,088

(Continued)

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

Depreciation expense of $7,322,853 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, 2011 are comprised of the following:

		General Fund	Special Revenue Funds	Enterprise Funds
Taxes	$	26,292,114	-	-
Personal Property Tax Relief Act		3,209,133	-	-
Emergency medical service fees		749,078	-	-
Public utilities fees		-	-	2,236,147
Stormwater management fees		-	-	7,396,796
Other		407,206	1,111,012	-
Total deferred revenues	$	30,657,531	1,111,012	9,632,943

(Continued)

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2011 follows:

		Balances at July 1, 2010	Increases	Decreases	Balances at June 30, 2011	Due Within One Year
Bonds payable:						
General obligation bonds	$	361,371,124	52,845,000	(34,062,574)	380,153,550	34,942,175
Lease revenue bond with general obligation pledge		4,285,000	-	(140,000)	4,145,000	145,000
		365,656,124	52,845,000	(34,202,574)	384,298,550	35,087,175
Deferred amounts:						
Plus bond premiums		16,083,587	770,237	(2,172,234)	14,681,590	2,214,991
Less refunding costs		(6,872,789)	-	1,537,753	(5,335,036)	(1,536,616)
Total bonds payable		374,866,922	53,615,237	(34,837,055)	393,645,104	35,765,550
Other long-term obligations:						
Net pension obligation		1,588,532	23,544,000	(23,540,543)	1,591,989	-
Net OPEB obligation		29,018,786	12,897,959	(9,249,892)	32,666,853	-
Arbitrage rebate and yield restriction		538,096	-	(201,990)	336,106	-
Compensated absences		17,391,281	14,030,325	(14,556,138)	16,865,468	7,774,980
Literary loans		2,979,383	-	(549,493)	2,429,890	509,578
Installment purchase agreement		1,342,284	-	-	1,342,284	-
Capital leases		7,065,815	-	(2,493,266)	4,572,549	1,859,497
Capital leases to component unit		19,650,000	-	(3,405,000)	16,245,000	3,590,000
Supplemental payments agreement		19,735,000	-	(1,240,000)	18,495,000	1,305,000
Liability for self-insurance losses		30,849,738	5,612,630	(7,840,646)	28,621,722	7,645,679
Section 108 loan payable		755,000	-	(365,000)	390,000	390,000
Deferred amounts:						
Plus refunding gains on supplemental payments agreement		502,500	-	(41,875)	460,625	41,875
Total long-term obligations	$	506,283,337	109,700,151	(98,320,898)	517,662,590	58,882,159

(Continued)

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2011 follows:

		Balances at July 1, 2010	Increases	Decreases	Balances at June 30, 2011	Due Within One Year
Public Utilities:						
Bonds payable:						
General obligation bonds	$	111,340,000	20,625,000	(27,555,000)	104,410,000	4,640,000
Revenue bonds		36,385,000	-	-	36,385,000	735,000
		147,725,000	20,625,000	(27,555,000)	140,795,000	5,375,000
Deferred amounts:						
Plus bond premiums		4,866,593	2,985,584	(446,291)	7,405,886	539,240
Less bond discounts		(15,527)	-	1,634	(13,893)	(1,634)
Less refunding costs		(2,350,989)	(87,558)	210,848	(2,227,699)	(211,496)
Total bonds payable		150,225,077	23,523,026	(27,788,809)	145,959,294	5,701,110
Compensated absences		842,824	669,279	(655,977)	856,126	394,674
		151,067,901	24,192,305	(28,444,786)	146,815,420	6,095,784
Chesapeake Expressway:						
Revenue bonds		20,405,000	-	(455,000)	19,950,000	480,000
Less bond discount		(199,128)	-	10,479	(188,649)	(10,480)
Total bonds payable		20,205,872	-	(444,521)	19,761,351	469,520
Due to Commonwealth of Virginia		65,828,257	437,115	-	66,265,372	3,900,000
Compensated absences		110,022	87,951	(94,067)	103,906	47,900
		86,144,151	525,066	(538,588)	86,130,629	4,417,420
Stormwater Management:						
Compensated absences		197,489	170,082	(147,392)	220,179	101,502
Total long-term obligations	$	237,409,541	24,887,453	(29,130,766)	233,166,228	10,614,706

(Continued)

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2011 follows:

		Balances at July 1, 2010	Increases	Decreases	Balances at June 30, 2011	Due Within One Year
Compensated absences	$	36,978,034	3,845,078	(2,805,990)	38,017,122	2,237,430
Net pension obligation		97,112	2,958,157	(2,958,167)	97,102	-
Net OPEB obligation		155,334,678	57,145,295	(8,048,372)	204,431,601	-
Liability for self-insurance losses		5,745,325	2,110,911	(2,030,634)	5,825,602	-
Capital leases		10,366,480	-	(2,149,342)	8,217,138	1,465,614
Total long-term obligations	$	208,521,629	66,059,441	(17,992,505)	256,588,565	3,703,044

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

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

(Continued)

(6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2011 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1994A School bonds	6.60%	$ 1,904,726	-	1,904,726	-
1996A School bonds	5.23%	3,570,000	3,570,000	-	.00%-3.00%
1997A School bonds	5.60%	5,985,000	5,985,000	-	.00%-3.00%
1998A School bonds	4.60% - 5.10%	3,280,000	3,280,000	-	.00%-2.00%
1999A School bonds	5.73% - 6.10%	4,500,000	4,500,000	-	.00%-2.00%
2000A School bonds	5.60%	5,060,000	5,060,000	-	.00%-2.00%
2001A School bonds	4.85% - 5.10%	4,590,000	4,270,000	320,000	.00%-2.00%
2001B School bonds	3.10% - 5.10%	1,008,824	-	1,008,824	-
2001 Public Improvement bonds	5.00% - 5.50%	2,005,000	1,865,000	140,000	.00 %
2001 Public Improvement Refunding bonds	5.50%	23,405,000	18,410,000	4,995,000	.00 %
2002A School bonds	5.10% - 5.60%	3,835,000	3,350,000	485,000	.00%-1.00%
2002B School bonds	4.35%	1,150,000	-	1,150,000	-
2003 School Refunding bonds	4.00% - 5.25%	46,735,000	24,425,000	22,310,000	.00 %
2003A School bonds	4.10% - 5.10%	1,715,000	1,520,000	195,000	.00%-1.00%
2003A Public Improvement bonds	3.00% - 4.20%	8,635,000	7,475,000	1,160,000	.00 %
2004A Public Improvement Refunding bonds	5.00%	28,185,000	9,515,000	18,670,000	.00%-1.00%
2003 Lease Revenue bond with general obligation pledge	4.39%	4,145,000	4,145,000	-	.00%-2.00%
2005A Public Improvement bonds	3.75% - 4.75%	10,750,000	7,620,000	3,130,000	.00%
2005A School bonds	4.10% - 5.10%	16,060,000	11,980,000	4,080,000	.00% - 1.00%
2005B School bonds	4.60% - 5.10%	7,925,000	5,910,000	2,015,000	.00% - 1.00%
2006A School bonds	4.48% - 5.10%	15,185,000	10,840,000	4,345,000	.00% - 1.00%
2006A Public Improvement bonds	4.25% - 4.50%	13,005,000	9,540,000	3,465,000	.00%
2006B School bonds	4.23% - 5.10%	15,275,000	10,820,000	4,455,000	.00% - 1.00%
2007A School bonds	4.10% - 5.10%	9,525,000	6,530,000	2,995,000	.00% - 1.00%
2007B School bonds	4.35% - 5.10%	8,605,000	5,925,000	2,680,000	.00% - 1.00%
2008A Public Improvement bonds	3.25% - 5.00%	8,810,000	5,650,000	3,160,000	.00%
2008A Public Improvement Refunding bonds	3.25% - 5.00%	16,040,000	-	16,040,000	.00%
2008B Tax Increment Financing bonds	3.25% - 4.63%	12,610,000	8,110,000	4,500,000	.00% - 1.00%
2009A School bonds	4.05% - 5.05%	33,215,000	21,130,000	12,085,000	.00% - 1.00%
2010A Tax Increment Financing, Recovery Zone Economic Development bonds	1.54% - 6.07%	2,460,000	1,445,000	1,015,000	.00%
2010A School bonds	3.05% - 5.05%	12,280,000	7,445,000	4,835,000	.00% - 1.00%
2010A-1 Public Improvement bonds	2.00% - 4.00%	6,085,000	-	6,085,000	.00%
2010A-2 Public Improvement bonds (Taxable Build America bonds)	3.41% - 5.36%	33,460,000	29,070,000	4,390,000	.00%
2010B-1 Tax Increment Financing bonds	2.00% - 3.00%	2,045,000	-	2,045,000	.00%
2010B-2 Tax Increment Financing bonds (Taxable Build America bonds)	3.41% - 5.36%	4,935,000	4,290,000	645,000	.00%
2010C-1 Tax Increment Financing bonds	2.00% - 4.00%	1,815,000	-	1,815,000	.00%
2010C-2 Tax Increment Financing bonds (Taxable Build America bonds)	3.41% - 5.36%	4,505,000	3,915,000	590,000	.00%
		384,298,550	247,590,000	136,708,550	
Add unamortized bond premiums		14,681,590	n/a	n/a	n/a
Less deferred refunding costs		(5,335,036)	n/a	n/a	n/a
Total general obligation bonds, governmental activities		$ 393,645,104	247,590,000	136,708,550	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	$ 2,429,890	-	2,429,890	-
Total Literary loans		$ 2,429,890	-	2,429,890	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		$ 1,342,284	-	1,342,284	
Business-type activities					
Public Utilities - General Obligation bonds					
2003B Water and Sewer bonds	3.00% - 5.00%	$ 46,665,000	44,025,000	2,640,000	.00 %
2003C Water and Sewer Refunding bonds	2.75% - 3.50%	3,955,000	2,460,000	1,495,000	.00 %
2004B Water and Sewer Refunding bonds	5.00%	28,670,000	19,130,000	9,540,000	.00%-1.00%
2005B Water and Sewer Refunding bonds	3.00% - 4.00%	4,495,000	2,680,000	1,815,000	.00 %
2010D Water and Sewer Refunding bonds	4.00% - 5.00%	20,625,000	20,625,000	–	.00 %
Total Public Utilities - general obligation bonds		104,410,000	88,920,000	15,490,000	
Public Utilities - Revenue bonds					
2010A Water and Sewer Revenue bonds	2.00% - 3.00%	3,860,000	-	3,860,000	-
2010B Water and Sewer Revenue bonds	3.82% - 6.28%	32,525,000	29,040,000	3,485,000	.00 %
Total Public Utilities - revenue bonds		36,385,000	29,040,000	7,345,000	
Add unamortized bond premiums		7,405,886	n/a	n/a	n/a
Less unamortized bond discount		(13,893)	n/a	n/a	n/a
Less deferred refunding costs		(2,227,699)	n/a	n/a	n/a
Total Public Utilities bonds		$ 145,959,294			
Chesapeake Expressway - Revenue bonds:					
1999A Toll Road Revenue bonds	5.63%	$ 19,950,000	19,950,000	–	.00% - 1.00%
Less unamortized bond discount		(188,647)	n/a	n/a	n/a
Total Chesapeake Expressway bonds		$ 19,761,353			

(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.

	Governmental Activities						Business-Type Activities			
	Bonds		Literary Loans		Installment Purchase Agreement		Public Utilities - Bonds		Chesapeake Expressway - Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:										
2012	$ 35,087,175	17,711,293	509,578	72,897	-	64,430	5,375,000	6,785,083	480,000	1,108,688
2013	37,908,043	15,996,951	323,493	57,609	-	64,430	5,565,000	6,583,258	510,000	1,080,844
2014	42,065,538	14,061,281	324,034	47,905	-	64,430	5,875,000	6,367,710	535,000	1,051,453
2015	35,869,202	12,139,347	275,104	38,184	-	64,430	6,185,000	6,121,355	565,000	1,020,516
2016	23,019,908	10,477,890	199,537	29,930	-	64,430	6,405,000	5,860,830	600,000	987,750
2017-2021	89,774,708	38,329,337	798,144	59,860	-	322,148	31,620,000	25,038,962	3,535,000	4,378,922
2022-2026	77,138,976	19,896,337	-	-	-	322,148	36,595,000	16,979,399	4,650,000	3,234,938
2027-2031	43,435,000	4,667,565	-	-	-	322,147	19,925,000	9,905,038	6,120,000	1,729,125
2032-2036	-	-	-	-	1,342,284	64,429	14,030,000	4,579,565	2,955,000	168,608
2037-2041	-	-	-	-	-		9,220,000	1,496,296	-	-
	$ 384,298,550	133,280,001	2,429,890	306,385	1,342,284	1,353,022	140,795,000	89,717,496	19,950,000	14,760,844

(Continued)

(6) Continued

(d) In August, 2010, the City sold $6,085,000 of general obligation public improvement bonds (tax exempt) with a true interest cost of 1.91% and a premium of $577,917 and $33,460,000 of general obligation public improvement bonds (taxable – Build America Bonds) with a true interest cost of 3.13%. The bonds were issued to fund bond issuance costs and various public improvement projects including, but not limited to the George Washington highway improvements, the Public Safety EOC/EDC/back-up Network Ops Center and the Animal Services facility. Build America Bonds are expected to receive federal reimbursement of 35% of interest paid over the life of the bonds under the American Recovery and Reinvestment Act.

(e) In August, 2010, the City sold $2,045,000 of general obligation tax increment financing bonds with a true interest cost of 1.55% and a premium of $69,919 and $4,935,000 of general obligation tax increment financing bonds (taxable – Build America Bonds) with a true interest cost of 3.13%. The bonds were issued to fund costs associated with capital projects in the Greenbrier Tax Increment Municipal District and bond issuance costs. Build America Bonds are expected to receive federal reimbursement of 35% of interest paid over the life of the bonds under the American Recovery and Reinvestment Act. The City has pledged certain incremental tax revenues derived from the Greenbrier District to the payment of principal and interest on the bonds.

(f) In August, 2010, the City sold $1,815,000 of general obligation tax increment financing bonds with a true interest cost of 1.56% and a premium of $122,401 and $4,505,000 of general obligation tax increment financing bonds (taxable – Build America Bonds) with a true interest cost of 3.13%. The bonds were issued to fund costs associated with the Library project and the Poindexter Streetscape project in the South Norfolk Tax Increment Financing District and bond issuance costs. Build America Bonds are expected to receive federal reimbursement of 35% of interest paid over the life of the bonds under the American Recovery and Reinvestment Act. The City has pledged certain incremental tax revenues derived from the South Norfolk District to the payment of principal and interest on the bonds.

(Continued)

(6) Continued

(g) In August, 2010, the City issued $20,625,000 of general obligation water and sewer refunding bonds with a true interest cost of 3.39% and a premium of $2,985,584. The bonds were issued to refund all of the remaining outstanding 1995A Water and Sewer bonds with an interest rate of 5%. The net proceeds of $23,462,542 (after a premium of $2,985,584 and payment of $148,042 for underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to pay the principal of and interest on the 1995A refunded bonds on September 24, 2010. The refunded bonds are considered to be defeased and the liabilities have been removed from the business-type activities column of the Statement of Net Assets and from the Statement of Net Assets of the Public Utilities Funds. None of the defeased bonds remain outstanding at June 30, 2011. The reacquisition price exceeded the net carrying amount of the old debt by $87,558. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the remaining life of the refunded debt. This current refunding resulted in an economic gain of $3,921,226 and a net savings of $5,231,887 in future debt service payments. The City has pledged the net revenues of the City's water and sewer system on a junior lien basis towards the payment of principal and interest on the bonds.

The amount refunded and the call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
1995A Water & Sewer Bonds	2025-2026	$23,100,000	9/24/10

(h) In April 2010, the City sold $3,860,000 of water and sewer system revenue bonds (tax-exempt) with a true interest cost of 1.78% and a premium of $119,980 and $32,525,000 of water and sewer system revenue bonds (taxable – Build America Bonds) with a true interest cost of 3.88%. The bonds were issued to finance capital improvements to the water and sewer system. Revenues of the Public Utilities Enterprise Fund will be used as set forth in the new Master Agreement of Trust to fund operations and maintenance and debt service on the revenue bonds. Build America Bonds are expected to receive federal reimbursement of 35% of interest paid over the life of the bonds under the American Recovery and Reinvestment Act.

(Continued)

(6) Continued

(i) 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.

(j) 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, 2011, $4,145,000 was outstanding.

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

In addition, the City entered into a "City-State Agreement" with the Virginia Department of Transportation (VDOT), in which the City will repay with interest certain contributions provided by VDOT, once all funding requirements for the toll road revenue bonds have been met per the indenture and the project generates sufficient net revenues. State contributions to be repaid as of June 30, 2011 amounted to $66,265,372. There were no Toll Facilities Revolving Account (TFRA) principal payments made to VDOT in fiscal year 2011. No payment schedule has been established.

(Continued)

(6) Continued

(l) 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 $1,240,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2011.

Fiscal year ending June 30:		Principal	Interest
2012	$	1,305,000	924,750
2013		1,365,000	859,500
2014		1,435,000	791,250
2015		1,505,000	719,500
2016		1,585,000	644,250
2017-2021		9,180,000	1,950,750
2022		2,120,000	106,000
Total payments	$	18,495,000	5,996,000

(Continued)

(6) Continued

(m) 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, 2011, $10,245,000 was outstanding (see subsequent events footnote).

(n) In June 1994, the City financed a 320-bed addition to the City jail through a financing agreement with the EDA. Under the arrangement, the EDA issued $30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued $16,765,000 of public facility lease revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2011, the amount owed by the City under this capital lease obligation was $6,000,000.

In addition, the Commonwealth of Virginia has agreed to reimburse the City for a portion of the capital costs and financing costs of the City jail project. This agreement was signed in June 1994. At that time, total reimbursement to the City was projected to be $16,078,836, to be reimbursed on an installment basis for 20 years, and subject to General Assembly approval. In April 2004, March 2005 and August 2008, portions of the debt related to the City jail project were refunded. The Commonwealth has the right under the agreement to modify the reimbursement installments in the event of a refunding, but an adjusted schedule has not yet been received from the Commonwealth. Total reimbursements of $14,216,362 have been received by the City as of June 30, 2011. The current year reimbursement was $835,689.

(o) 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, 2011 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.

(Continued)

(6) Continued

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.

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

(q) 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 were repaid in annual installments through August 2010. 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. The final principal payment of $390,000 is due August 1, 2011. Interest is paid quarterly on the unpaid principal balance on the first day of February, May, August, and November, with the final projected interest payment of $443 due August 1, 2011. 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 0.454% effective June 30, 2011.

(r) 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

(Continued)

(6) Continued

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, 2010 was $39,820,000. 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 $224,130,097 as of June 30, 2011.

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

Assessed valuation - real estate		$	24,341,395,672
Legal debt limit - 10% of assessed valuation		$	2,434,139,567
Amount of debt applicable to legal debt limit:			
General bonded debt	$ 548,815,724		
Less:			
Self-supporting debt not chargeable to debt limit	105,630,000		
Amounts available for debt service	40,368,468		
			402,817,256
Legal debt margin available		$	2,031,322,311
Percent of:			
Legal debt margin outstanding			16.5%
Legal debt margin available			83.5%
			100.0%
Summary of assessed valuation:			
Public service real estate		$	1,035,252,626
Other city real estate			23,306,143,046
		$	24,341,395,672

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of $3,000 of overall net debt per capita and a threshold of 3.5% of overall net debt to assessed value of taxable real property. For fiscal year 2011 management believes the City is in compliance with these policies.

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

(Continued)

(6) Continued

(u) 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 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, 2011, $10,245,000 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, 2011, $6,000,000 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, 2011, $1,415,000 remains outstanding, of which all are callable.

(7) Advances and On Behalf Of Payments

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

Component Unit – Chesapeake Airport Authority

In September 2008, the City Council authorized the restructuring of two previous advances made to the Airport Authority with different repayment terms. The restructuring allowed both note terms to run simultaneously, with a 15-year repayment. The remaining balances of the two notes were cancelled and a new note for $439,100 was executed. Semi-annual payments of $13,500 began in fiscal year 2009 with a final balloon payment of $47,600 on June 15, 2023. A nonspendable classification of fund balance has been made in the General Fund for $151,580 and in the Debt Service Fund

(Continued)

(7) Continued

for $206,520 for the balance outstanding at June 30, 2011 of $358,100.

The General Fund also budgeted and made payments of $627,597 on behalf of the Airport Authority during fiscal year 2011. 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 $11,662 on behalf of the Port Authority during fiscal year 2011. The City is not anticipating the collection of these payments from the Port Authority.

Component Unit –Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of $1,500,000. At June 30, 2011, $1,319,095 is outstanding in the General Fund. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. The City is not anticipating the collection of these payments from the EDA. In addition, the City budgeted and made payments of $419,783 on behalf of the Authority during fiscal year 2011.

Advances from the primary government to its component units as reported on the Statement of Net Assets as of June 30, 2011 is summarized as follows:

Advances to Airport Authority	$	358,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,621,602
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units	$	358,100

(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.

(Continued)

(8) Continued

Individual fund interfund receivable and payable balances for the primary government at June 30, 2011 are as follows:

	Due From Other Funds
Due To Other Funds	**Nonmajor Governmental Funds**
General Fund	$ 61,287

These interfund balances are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund. The amount due from the nonmajor governmental funds of $61,287 is due within one year.

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

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2011, City Council approved transfers totaling $8,502,000 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years resources. Major projects included $3,500,000 for Phase 1 of the Mainframe Integration, $1,500,000 for Commerce Park, and $1,900,000 and $1,600,000 for improvements to Elbow Road and George Washington Highway, respectively.

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(8) Continued

Interfund transfers for the year ended June 30, 2011 are as follows:

		Transfers From Other Funds							
Transfers To Other Funds		General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Chesapeake Expressway Fund	Stormwater Management Fund	Public Utilities Fund	Internal Service Funds	Total
General Fund	$	-	215,840	14,061,919	-	-	-	1,773,864	16,051,623
Debt Service Fund		50,893,302	908,205	2,499,769	-	-	-	-	54,301,276
Capital Projects Fund		8,502,000	-	3,654,009	79,646	-	-	786,353	13,022,008
Nonmajor governmental funds		24,799,833		610,165	-	500,000	500,000	2,400	26,412,398
Internal Service Funds		10,336,412	5,967	108,000	-	-	-	24,000	10,474,379
Total	$	94,531,547	1,130,012	20,933,862	79,646	500,000	500,000	2,586,617	120,261,684

(Continued)

(9) Leases

The City and the Schools, a component unit, lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2011, the City's capital assets from governmental activities include $54,665,000 of buildings leased from component units, $4,490,443 of leased construction in progress and leased equipment of $7,386,748. Current year amortization expense for leased assets is $2,114,693 and is included in depreciation expense. Accumulated amortization expense for these assets is $18,949,558.

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, 2011 are as follows:

	Capital	Operating
Fiscal years:		
2012	$ 6,455,329	750,419
2013	5,513,745	738,305
2014	4,893,776	720,414
2015	2,813,104	211,886
2016	2,032,925	174,549
2017	2,036,587	-
Total future minimum lease payments	23,745,466	$ 2,595,573
Less amounts representing interest	2,927,917	
Present value of minimum capital lease payments	$ 20,817,549	

Total governmental operating lease payments for the year ended June 30, 2011 were $1,048,519.

(Continued)

(9) Continued

At June 30, 2011, the Schools capital assets include $13,797,307 of equipment financed under capital leases. Current year amortization expense for leased assets is $479,751. Accumulated amortization expense for these assets is $4,715,790. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2011 are as follows:

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

(10) Retirement Plans

Plan Description

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

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

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

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(10) Continued

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

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as 60 with at least five years of service credit.

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

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%, under Plan 2; the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

(Continued)

(10) Continued

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2010-annual -report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The City and Schools have assumed this 5% member contribution through fiscal year 2010. During the 2010 session of the Virginia General Assembly, new legislation was passed that allowed localities to vote to implement new provisions to VRS for employees hired on or after July 1, 2010, that meet certain criteria. This new plan option, titled VRS Plan 2, stipulated that a locality may elect to require employees hired on or after July 1, 2010, to pay their own member contribution of 5% of their salary on a pre-tax basis to partially fund their retirement rather than the localities paying the member share on the employee's behalf. The City Council voted on June 22, 2010, to adopt this provision for new eligible employees hired on or after July 1, 2010. The City will continue to pay the 5% member contribution for all employees hired prior to July 1, 2010, and will pay the locality share for all employees. All the Schools' employees will continue to have their 5% member contribution paid by the employer. In addition, the City and Schools are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and Schools' nonprofessional employees' contribution rates for the fiscal year ended June 30, 2011 were 17.27% and 14.52%, respectively, of annual covered payrolls.

The net pension obligation for Teachers is reflected on the State's financial statements. The Schools employees' contribution rate for professional employees for the fiscal year ended June 30, 2011 was 8.93% of annual covered payroll. The following table relates to the Schools' contribution rate for professional employees:

	Annual Required Contributions	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2011	$ 18,835,577	18,835,577	100%
2010	24,340,176	24,340,176	100%
2009	30,721,581	30,721,581	100%

(Continued)

(10) Continued

Annual Pension Cost

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

	City	Schools
Annual required contribution	$ 23,540,543	2,958,167
Interest on net pension obligation	119,140	6,798
Adjustment to annual required contribution	(115,683)	(6,808)
Annual pension cost	23,544,000	2,958,157
Less contributions made	23,540,543	2,958,167
Increase (decrease) in net pension obligation	3,457	(10)
Net pension obligation at June 30, 2010	1,588,532	97,112
Net pension obligation at June 30, 2011	$ 1,591,989	97,102

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

Three-Year Trend Information

	City			Schools' Nonprofessional Employees		
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 23,544,000	100.0%	$ 1,591,989	$ 2,958,157	100.0%	$ 97,102
June 30, 2010	$ 22,330,641	100.0%	$ 1,588,532	$ 3,099,075	100.0%	$ 97,112
June 30, 2009	$ 23,172,099	100.0%	$ 1,589,678	$ 3,209,119	100.0%	$ 96,901

(Continued)

(10) Continued

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the funded status of the plan was as follows:

		City	Schools
Actuarial accrued liability (AAL)	$	701,216,175	82,740,524
Less actuarial value of plan assets		531,992,504	60,621,268
Unfunded actuarial accrued liability (UAAL)	$	169,223,671	22,119,256
Funded ratio (actuarial value of plan assets/AAL)		75.87%	73.27%
Covered payroll	$	139,151,877	20,517,369
UAAL as a percentage of covered payroll		121.61%	107.81%

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 Postemployment Benefits

Plan Description

The City's Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide access to medical and dental insurance benefits to eligible retirees and their dependents. The Post-Medicare Medical Plan is closed to employees hired July 1, 2007 or after. Plan membership as of June 30, 2011, consisted of 2,871 active service participants and 536 retirees and beneficiaries currently receiving benefits. There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

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(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 using a variety of methods, including quoted market prices, net asset value or third party assessment.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2011, the City contributed $9,249,892 to the plan, including $2,756,344 for current premiums (61% of total premiums) and an additional $6,493,548 to prefund benefits. Plan members receiving benefits contributed $1,765,592, or 39% of the total premiums, through their required monthly contributions. Member contributions are 1.16% of covered payroll. Costs to administer current benefits are paid from the general fund.

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

(Continued)

(11) Continued

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

Annual required contribution	$	13,145,782
Interest on net OPEB obligation		1,741,127
Adjustment to annual required contribution		(1,988,950)
Annual OPEB cost		12,897,959
Less employer contributions made		9,249,892
Increase in net OPEB obligation		3,648,067
Net OPEB obligation at June 30, 2010		29,018,786
Net OPEB obligation at June 30, 2011	$	32,666,853

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 12,897,959	$ 9,249,892	71.7%	$ 32,666,853
June 30, 2010	13,598,371	7,839,357	57.6%	29,018,786
June 30, 2009	16,171,425	6,483,590	40.1%	23,259,772

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date for fiscal year ending June 30, 2011, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$	136,080,493
Less actuarial value of plan assets		20,337,570
Unfunded actuarial accrued liability (UAAL)	$	115,742,923
Funded ratio (actuarial value of plan assets/AAL)		14.95%
Covered payroll	$	152,253,276
UAAL as a percentage of covered payroll		76.02%

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

(Continued)

(11) Continued

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

Actuarial Method and Assumptions

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

In the actuarial valuation for fiscal year ending June 30, 2011 (dated November 1, 2011), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 8.9% - 9.1% initially, reduced by 0.2 – 0.4% each year to an ultimate rate of 4.5% after seventeen years. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

Discretely presented component unit - Public Schools:

Plan Description

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2010, consisted of 5,457 active service participants and 1,370 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund ("the Trust"). Amounts contributed to the Trust by the Schools are

(Continued)

(11) Continued

irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

Significant Accounting Policies

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

Funding Policy

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2011, the Schools contributed $8,048,372 to the plan, including $6,048,372 for current premiums (75% of total premiums) and an additional $2,000,000 to pre-fund benefits. Plan members receiving benefits contributed $3,702,197 or 38% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' general fund.

Annual OPEB Cost and Net OPEB Obligation

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

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(11) Continued

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

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

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years:

Three-Year Trend Information

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

Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	$	500,493,509
Less actuarial value of plan assets		5,511,531
Unfunded actuarial accrued liability (UAAL)	$	494,981,978
Funded ratio (actuarial value of plan assets/AAL)		1.10%
Covered payroll	$	231,297,764
UAAL as a percentage of covered payroll		214.00%

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(11) Continued

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

Actuarial Method and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 9.0% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after eight years and thereafter. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

(Continued)

(12) Fund Balances

Primary Government

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	$ 1,060,337	-	-	12,995	1,073,332
Advances to component units and other	155,499	206,520	-	-	362,019
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	1,215,836	206,520	-	25,790	1,448,146
Restricted:					
Cash flow emergencies	30,710,709	-	-	-	30,710,709
Tax increment financing - Greenbrier	-	-	-	12,739,895	12,739,895
Tax increment financing - South Norfolk	-	-	-	12,268,809	12,268,809
Poindexter St. construction	-	-	2,403,576	-	2,403,576
City Courts construction	-	-	2,036,925	-	2,036,925
City Jail construction	-	-	2,024,912	-	2,024,912
Oak Grove connector	1,217,229	-	-	-	1,217,229
General Government	-	-	-	1,545,323	1,545,323
Public Safety	-	-	-	3,490,179	3,490,179
Public Works	-	-	12,112	426,421	438,533
Parks				246,112	246,112
Public Welfare	-	-	-	3,797,337	3,797,337
Education	2,541,138	-	-	1,997,223	4,538,361
Arbitrage rebate and yield restriction	-	336,106	-	-	336,106
Total restricted	34,469,076	336,106	6,477,525	36,511,299	77,794,006
Committed:					
Operational emergency	25,592,084	-	-	-	25,592,084
Emergency event response & recovery	20,000,000	-	-	-	20,000,000
City future capital projects	5,884,927	-	-	-	5,884,927
Economic development investment program	1,376,233	-	-	-	1,376,233
Solid waste and disposal	2,838,341	-	-	2,818,763	5,657,104
General Government	6,068,201	-	18,138,643	4,793,896	29,000,740
Public Safety	3,893,189	-	-	448,437	4,341,626
Public Works	4,961	-	4,789,412	-	4,794,373
Parks	-	-	2,154,426	81,817	2,236,243
Public Welfare	-	-	-	4,058,183	4,058,183
Schools future capital projects	7,234,933	-	-	-	7,234,933
Education	1,000,000	-	-	-	1,000,000
Total committed	73,892,869	-	25,082,481	12,201,096	111,176,446
Assigned:					
General capital improvement	-	-	76,991,105	-	76,991,105
Debt service payments	-	40,570,458	-	-	40,570,458
General Government	5,112,743	-	-	2,716,034	7,828,777
Public Works	310,962	-	1,921,121	-	2,232,083
Public Safety	1,203,137	-	-	6,784,884	7,988,021
Public Welfare	-	-	-	2,029,216	2,029,216
Parks	-	-	13,150	440,064	453,214
Education	2,590,324	-	-	-	2,590,324
Total assigned	9,217,166	40,570,458	78,925,376	11,970,198	140,683,198
Unassigned:	19,406,510	-	-	(30,855)	19,375,655
Total fund balance	**$ 138,201,457**	**41,113,084**	**110,485,382**	**60,677,528**	**350,477,451**

(Continued)

(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, 2011.

(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, 2011, the City has incurred cumulative costs of $24,819,500 related to the design and construction of the pipeline. These costs are capitalized in the Public Utilities Fund.

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 11, 2011, the total estimated cost of which amounted to $803,913,711 to be funded from anticipated state and federal funds, debt financing, local fees and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date.

(Continued)

(14) Continued

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

Funds Previously Appropriated	$	139,498,549
General Fund - Operating Transfer		5,939,100
General Fund - Designated for Capital Projects		5,146,425
General Fund - Designated for Schools		12,250,000
General Fund - Chesapeake Public Schools		50,000
Greenbrier TIF Cash		8,137,958
SoNo TIF Cash		500,000
VDOT Reimbursement		51,455,800
Public Utilities - Fund Balance		22,945,077
Stormwater Management Fees		30,000,000
Proffers		770,883
Redirects from Other Projects		916,968
Borrowing Authority - Unissued		60,517,140
Public Utilities -Borrowing Authority Revenue Supported		56,332,410
Chesapeake Expressway - Renewal & Replacement		3,000,000
Borrowing Authority - Greenbrier TIF		25,251,001
Borrowing Authority - SoNo TIF		16,000,000
Revenue Bonds - Transportation (backed by toll revenue)		344,059,200
VSPA Borrowing		21,143,200
	$	803,913,711

(Continued)

(14) Continued

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and other commitments in process of completion at fiscal year end. Outstanding encumbrances as of June 30, 2011 for the City and the Schools are as follows:

City		Schools	
Governmental Funds		Governmental Funds	
General Fund	$ 1,084,393	General Fund	$ 8,381,947
Capital Projects	18,099,793	Schools' Food Services	76,461
Other Governmental Funds	6,356,133	Schools Textbook	44,479
Total	$ 25,540,319	Capital Projects	28,549,477
		Total	$ 37,052,364
Proprietary Funds			
Public Utilities	$ 7,667,727		
Chesapeake Expressway	482,795		
Stormwater Management	1,565,009		
Internal Service Funds	3,202,981		
Total	$ 12,918,512		

(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 perils. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for the following types of liability claims retaining risk to certain limits and obtaining excess commercial insurance policy coverage to additional limits.

(Continued)

(15) Continued

	Self-insurance Risk Retention	Commercial Insurance Aggregate Coverage Limit
General and automobile liability claims	$1,500,000	$5,000,000
Public official, law enforcement officer and other liability	$100,000	$2,000,000
Workers' compensation claims	$1,000,000	$25,000,000

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 2/3 salary for 500 weeks and lifetime medical care. The settlements using commercial insurance did not exceed insurance coverage during the fiscal years ended June 30, 2011 and 2009. During fiscal year 2010, one settlement using commercial insurance exceeded the City's insurance coverage limits by $50,000. The insurance coverage is substantially the same as in prior fiscal years.

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

The claims liability of $28,621,722 reported in the Self-Insurance Fund at June 30, 2011 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.* It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

(Continued)

(15) Continued

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2011 and 2010 were as follows:

Fiscal Year Ended		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2011	$	30,849,738	5,612,630	7,840,646	28,621,722
6/30/2010	$	30,374,299	8,670,595	8,195,156	30,849,738

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has a $650,000 limit per claim. Health insurance has a specific stop loss limit of $300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. 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, 2011 are recognized as a long-term liability in the statement of net assets. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2011 is $11,270,237.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2011 and 2010 were as follows:

Fiscal Year Ended		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2011	$	10,994,551	58,723,612	58,447,926	11,270,237
6/30/2010	$	9,506,631	57,500,411	56,012,491	10,994,551

(Continued)

(15) Continued

Litigation

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

There are approximately 400 potential claims which could total millions in damages. The plaintiffs seek over one billion dollars from Dominion Power. However, the likelihood of recovery by the residents against the City is very low. The City's approval of the golf course through the issuance of a conditional use permit was based on information provided by Dominion Power. It is also to be noted that the Virginia Department of Environmental Quality approved use of fly ash at this location. The City should have immunity against such claims. The defendant in this matter is Dominion Power.

Southeastern Public Service Authority

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

(Continued)

(15) Continued

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

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

The City is represented by Martin Short, Esq. of Kaufman & Canoles, who negotiated settlement in a similar case in Newport News, Virginia. Moreover, the key issue at hand is currently pending before the Virginia Supreme Court as an appeal of a favorable lower court ruling in Chesterfield County. The outcome of the Chesterfield County appeal will have a direct impact on the City's chances of success in the present action.

Tax Refund

On August 17, 2010, a Motion for Refund was filed by Perdue Farms, Inc., Perdue Agribusiness, Inc., and Perdue Grain & Oilseed, L.L.C. ("Perdue") with the Chesapeake Circuit Court to request a refund of local personal property taxes in the amount of $618,837 for tax years 2002-2006. This motion is based on the argument that Perdue is entitled to the refund under state law pending trial on the merits. If Perdue prevails on the merits of the case, Perdue will be entitled to keep all or a portion of the refund. If the City prevails on the merits of the case, the refunded amount will be returned to the City. The issues ultimately to be determined by the Circuit Court included (1) whether Perdue as a "manufacturer" is exempt from business license tax under Virginia law, and (2) whether Perdue's personal property, other than machinery and tools used in manufacturing, is not subject to local taxation.

On November 4, 2010, the Circuit Court directed that the requested refund of taxes be made to Perdue prior to December 31, 2010, while awaiting the trial on the merits of the case. Prior to the date of November 4, 2010, the expectation of the refund had not been deemed probable.

(Continued)

(15) Continued

The pre-trial refund amount was adjusted downward to $495,372.02 and paid by the City. A settlement agreement was entered in an agreed-to order of the Court on October 11, 2011. The agreement permits Perdue to retain the pre-trial refund and also directs the the City to refund Perdue $150,000 in taxes paid by Perdue for tax years 2007-2011 by crediting said amount against Perdue's personal property tax and business license tax bills for 2012.

Pollution Remediation

At June 30, 2011, the City committed $26,500 to cover the net costs associated with the cleanup of the soil and groundwater petroleum contamination for the City-owned property at 1001 Poindexter Street in the South Norfolk area of the City. As requested by the Virginia Department of Environmental Quality (DEQ), the City submitted a Corrective Action Plan (CAP) detailing how it will remediate the petroleum by-products that were in vapor phase and dissolved within the groundwater and soils. Once this CAP is approved by DEQ, the City will be required to complete the CAP within 90 days. The total estimated liability of $191,000 was based on information provided by an outside consultant and the cost estimates are not expected to fluctuate due to the time constraints on the cleanup. Approximately $8,500 of costs was expended during fiscal year 2011. The City is anticipating recovering $156,000 of the associated costs from the Virginia Petroleum Storage Tank Fund.

Federal Award Programs

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

(Continued)

(16) Fund Deficits

The Self-Insurance Fund, an Internal Service Fund, had a net asset deficit of $4,490,647 at June 30, 2011. 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 $18,060,314 at June 30, 2011. The deficit is primarily due to depreciation expense which began in 2001 when the Chesapeake Expressway was capitalized. Principal payments on Chesapeake Expressway debt began in January 2007. The deficit will be reduced as future toll revenue is collected.

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of $10,255 at June 30, 2011. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of $937,637 at June 30, 2011. This deficit consists of an advance of $944,407 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.

The Chesapeake Public Schools, a component unit, had a net asset deficit of $12,246,796 at June 30, 2011. The deficit is primary due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation, which rose by $49.1 million in fiscal year 2011. A plan by Schools to reduce the deficit is ongoing.

(17) Subsequent Events

Gateway at SoNo Planned Unit Development

On July 19, 2011, the City Council approved a resolution implementing the initial June 30, 2011 resolution to purchase certain real property owned by Gateway at SoNo Development, LLC, consisting of approximately 17,000 square feet located in the Gateway at SoNo Planned Unit Development, 801 Poindexter Street, in the South Norfolk Borough.

(Continued)

(17) Continued

Edinburgh Planned Unit Development

On August 16, 2011, the City Council authorized the city manager to execute an addendum to the agreement for acquisition of real property by and between the City of Chesapeake and MAG Edinburgh Associates II, LLC for the purchase of certain right-of-way improvements in the Edinburgh Planned Unit Development.

Storm related costs

On September 13, 2011, City Council approved use of $3,000,000 from the General Fund's fund balance committed for emergency event response and recovery for storm related costs due to Hurricane Irene. The emergency event response and recovery fund balance will be replenished to maintain the policy of retaining $20,000,000 of fund balance committed for this purpose. The City anticipates a portion of eligible expenditures will be reimbursed by the Federal Emergency Management Agency (FEMA). The suspension of tolls during Hurricane Irene is estimated to have resulted in approximately $320,000 of lost revenues for the Chesapeake Expressway.

Long-term Debt Issuance

On September 14, 2011, the City sold $33,135,000 of general obligation public improvement refunding bonds and $25,775,000 of general obligation water and sewer refunding bonds. The proceeds of the general obligation public improvement bonds were used to refund certain outstanding principal amounts of the 2001 and 2003A bonds and to prepay the City's remaining rental payments under the 1996 lease agreement in order to cause the refunding of all the outstanding principal amount of the 1996 EDA bonds associated with the Courthouse project. All of these bonds are tax-exempt. Maturities on the refunding bonds range from December 1, 2022 to June 1, 2028. Additionally, on November 9, 2011, the City sold $9,170,000 of general obligation school bonds to the Virginia Public School Authority (VPSA). The bonds were issued to partially fund the addition and renovation of a high school.

Chesapeake Airport Authority Bonds

On October 25, 2011, the City Council approved a resolution to allow the Chesapeake Airport Authority (CHA) to issue their bonds and authorized the execution of an agreement providing for a non-binding obligation of the City to consider certain

(Continued)

(17) Continued

appropriations to the CHA. This will enable CHA to refund its existing 1999 bonds by selling bonds in the maximum amount of $1.3 million in order to participate in the Virginia Airport Revolving Loan Fund Program. The refunding is to allow CHA to achieve debt service savings as well as restructuring of their repayment by extending full maturity by five years. The closing is schedule on November 30 and redemption of the old bonds for the first week of December.

U.S. Route 17/Dominion Boulevard Improvement Project

On November 15, 2011, City Council approved a resolution to apply for loans and/or grants from Federal and State resources to fund the U.S. Route 17/Dominion Boulevard Improvement Project. These programs include the Virginia Transportation Infrastructure Bank (VTIB) loan and the Federal Highway Administration (FHWA) Tiger III grant/ TIFIA loan. The Commissioner of the Virginia Department of Transportation has executed the agreement advancing the City up to $24,000,000 from the Virginia Toll Facilities Revolving Account to purchase certain right-of-way for the project.

Chesapeake Port Authority Absolution of a Debt

On December 13, 2011, City Council will consider a resolution to write-off the current loan amount of $944,407 owed to the City of Chesapeake from the Chesapeake Port Authority, a component unit. The City provided funds as loans to the Authority for working capital. The City has recorded an allowance of an equal amount because of the timing and certainty of collection is unknown. Given the time elapsed and the current operation of the Authority, it is not anticipated that repayment of the loan will occur.

Review of the Parks and Recreation Special Revenue Fund

GASB Statement No. 54, among other things, clarifies the existing governmental fund type definitions. This statement redefines special revenue funds. The restricted or committed proceeds of the specific revenue sources are expected to comprise a substantial portion of the inflows reported in a special revenue fund. While Parks and Recreation dedicated fees have increased, the increase was not as significant as planned. As a result, the Parks and Recreation Special Revenue fund will be reviewed for restructuring in fiscal year 2012 and some activities of the fund may be reported in the City's General Fund.

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Chesapeake
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Required Supplementary Information Other Than MD&A

Chesapeake VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA ***Schedule L-1***

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund - unaudited
Year Ended June 30, 2011

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	$ 259,106,798	259,106,798	268,995,621	9,888,823
Other local taxes	105,126,659	105,126,659	106,469,866	1,343,207
Licenses, permits, and fees	7,442,713	7,442,713	7,972,072	529,359
Intergovernmental revenues:				
Commonwealth of Virginia	79,453,969	80,508,699	80,332,943	(175,756)
Federal government	111,485	111,485	224,053	112,568
Recovered costs	-	17,397	214,572	197,175
Investment income	2,003,600	2,003,600	511,074	(1,492,526)
Revenues from use of property	161,415	161,415	217,825	56,410
Charges for services	8,603,913	8,620,713	9,940,678	1,319,965
Fines and forfeitures	1,752,000	1,752,000	2,261,473	509,473
Miscellaneous local revenues	245,240	325,690	504,826	179,136
Total revenues	464,007,792	465,177,169	477,645,003	12,467,834
EXPENDITURES				
Current:				
General government	107,135,091	108,900,513	104,307,943	4,592,570
Public safety	82,965,782	83,727,387	82,597,960	1,129,427
Public works	33,638,860	34,516,737	32,657,414	1,859,323
Debt Service	2,229,250	2,229,250	2,227,948	1,302
Total expenditures	225,968,983	229,373,887	221,791,265	7,582,622
Excess of revenues over expenditures	238,038,809	235,803,282	255,853,738	20,050,456
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	127,435	14,633,746	16,051,623	1,417,877
Transfer from component units	-	-	252,124	252,124
Transfer from component unit - cash reversion	-	-	94,379	94,379
Transfers to other funds	(79,301,198)	(94,760,709)	(94,531,547)	229,162
Transfer to component units	(166,488,283)	(169,532,059)	(169,532,059)	-
Total other financing sources (uses)	(245,662,046)	(249,659,022)	(247,665,480)	1,993,542
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,623,237)	(13,855,740)	8,188,258	22,043,998
Fund balances - beginning	130,013,199	130,013,199	130,013,199	-
Fund balances - ending	$ 122,389,962	116,157,459	138,201,457	22,043,998

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

CITY OF CHESAPEAKE, VIRGINIA ***Schedule L-2***

Schedules of Funding Progress - Virginia Retirement System (unaudited)
Year Ended June 30, 2011

City Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 531,992,504	701,216,175	169,223,671	75.87%	$ 139,151,877	121.61%
June 30, 2009	528,016,411	640,334,257	112,317,846	82.46%	145,156,607	77.38%
June 30, 2008	516,024,998	594,194,584	78,169,586	86.84%	138,445,780	56.46%

Schools' Non-Professional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 60,621,268	82,740,524	22,119,256	73.27%	$ 20,517,369	107.81%
June 30, 2009	59,853,949	75,675,711	15,821,762	79.09%	20,917,830	75.64%
June 30, 2008	58,067,113	71,507,633	13,440,520	81.20%	20,744,338	64.79%

Unaudited - see accompanying auditors' report.

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

Schedules of Funding Progress - Other Postemployment Benefits (unaudited)
Year Ended June 30, 2011

City Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2011	June 30, 2011	$ 20,337,570	136,080,493	115,742,923	14.95%	$ 152,253,276	76.02%
July 1, 2010	June 30, 2010	12,767,941	138,582,909	125,814,968	9.21%	153,543,619	81.94%
July 1, 2009	June 30, 2009	6,959,793	143,957,588	136,997,795	4.83%	158,131,203	86.64%

Schools Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2010	June 30, 2011	$ 5,511,531	500,493,509	494,981,978	1.10%	$ 231,297,764	214.00%
July 1, 2009	June 30, 2010	421,925	511,308,762	510,886,837	0.08%	243,345,531	209.94%
July 1, 2008	June 30, 2009	-	552,551,956	552,551,956	0.00%	234,879,180	235.25%

Unaudited - see accompanying auditors' report

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

Schedules of Employer Contributions - Other Postemployment Benefits (unaudited)
Year Ended June 30, 2011

City

Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2011	$ 13,145,782	9,249,892	70.36%
2010	13,948,705	7,839,357	56.20%
2009	16,382,822	6,483,590	39.58%

Schools

Fiscal year ended June 30:	Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2011	$ 59,569,434	8,048,272	13.51%
2010	63,233,129	10,700,540	16.92%
2009	69,969,792	5,787,049	8.27%

Unaudited - see accompanying auditors' report

(1) Budgets and Budgetary Accounting

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

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

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

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

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

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

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2011

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(1) Continued

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

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

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

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

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

Unaudited – see accompanying auditors' report.

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Chesapeake
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Supplementary Information - Combining and Individual Fund Schedules

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

General Fund

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

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

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CITY OF CHESAPEAKE, VIRGINIA *Schedule M-1*

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2011

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	$ 207,530,463	209,629,376	2,098,913
Current taxes on public service corporations	10,221,835	10,791,086	569,251
Current taxes on personal property	27,865,500	31,923,994	4,058,494
Delinquent taxes on real property	4,141,000	3,903,217	(237,783)
Delinquent taxes on personal property	7,074,000	10,169,371	3,095,371
Penalties, interest, and advertising	2,274,000	2,578,577	304,577
Total general property taxes	259,106,798	268,995,621	9,888,823
Other local taxes			
Local sales and use taxes	31,650,000	32,065,910	415,910
Consumer utility taxes	10,483,000	10,312,035	(170,965)
Communications sales tax	7,949,309	7,439,623	(509,686)
Business license taxes	22,880,000	23,030,916	150,916
Local utility consumption tax	753,100	909,137	156,037
Bank stock taxes	1,100,000	1,440,174	340,174
Taxes on recordation and wills	2,771,000	2,413,307	(357,693)
Tobacco taxes	4,498,000	4,665,441	167,441
Hotel and motel room taxes	3,800,000	3,959,682	159,682
Restaurant food taxes	18,260,000	19,188,989	928,989
Admission taxes	624,250	669,842	45,592
Short-term rental taxes	252,000	275,504	23,504
Pari-mutuel waging pool tax	106,000	99,306	(6,694)
Total other local taxes	105,126,659	106,469,866	1,343,207
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	50	43	(7)
Building structure and equipment permits	695,800	817,058	121,258
Precious metals and gems permits	4,800	5,800	1,000
Highway and driveway permits	12,000	12,660	660
Transfer fees	5,000	5,305	305
Zoning inspection fees	4,850	42,559	37,709
Building inspection fees	63,310	30,925	(32,385)
Electrical inspection fees	230,600	284,339	53,739
Elevator inspection fees	22,000	21,400	(600)
Plumbing inspection fees	129,760	162,560	32,800
Mechanical permits	266,295	382,252	115,957
Subdivision review fees	199,350	130,223	(69,127)
Solicitors permits	1,000	3,700	2,700
Taxi operators licenses	480	890	410
Motor vehicle license	5,591,790	5,851,022	259,232
Inspection fees - gas appliances	50,000	48,522	(1,478)
Animal license and fees	154,218	159,455	5,237
Rodent free certification fee	2,940	3,220	280
Hunting and fishing license	70	99	29
Rental inspection fees	8,400	10,040	1,640
Total licenses, permits, and fees	7,442,713	7,972,072	529,359
Fines and forfeitures	1,752,000	2,261,473	509,473
Investment income	2,003,600	511,074	(1,492,526)

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2011

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	$ 144,915	174,915	30,000
Rental of recreational properties and facilities	6,000	7,000	1,000
Library rental revenue	10,500	13,299	2,799
Rental of showmobile	-	22,611	22,611
Total revenues from use of property	161,415	217,825	56,410
Charges for services:			
Special court costs	58,900	74,882	15,982
Law library fees	108,500	106,954	(1,546)
Accident report fees	42,000	37,230	(4,770)
Municipal court fees	46,100	52,562	6,462
Civil penalties	18,880	6,813	(12,067)
Non-support fees	65,100	62,814	(2,286)
Commonwealth's Attorney fees	6,900	12,319	5,419
Police escort fees	6,400	61,057	54,657
Sale of service - police	149,640	180,628	30,988
Fire report fees	-	560	560
Sheriff fees	22,860	22,861	1
Inmate medical fees	24,983	13,929	(11,054)
Sale of service - jail	834,312	1,094,722	260,410
Sale of service - jail inmates	216,065	58,888	(157,177)
Inmate phone system - jail	483,990	391,877	(92,113)
Sale of service - sheriff	1,128,373	1,397,421	269,048
Sale of service - public works	212,500	235,908	23,408
Sale of service - development and permits	-	121,922	121,922
Engineering and administrative fees	105,000	99,649	(5,351)
Vending machine commissions	1,100	-	(1,100)
Library fines and fees	385,377	374,796	(10,581)
Lot processing fees	30,000	41,525	11,525
Sale of service - planning	3,300	2,362	(938)
Sale of service - public information	1,000	687	(313)
Sale of publications	500	2	(498)
Returned check fees	26,000	19,824	(6,176)
Custodian service	163,200	125,238	(37,962)
Wage assignment fees	8,100	5,274	(2,826)
Sale of service - assessor	4,400	5,329	929
Emergency medical service fees	3,309,023	4,035,220	726,197
Administration collected fees	727,900	931,057	203,157
Wetland Board Civil fees	23,100	14,400	(8,700)
Passport application fee	16,000	49,861	33,861
Sale of service - Commissioner of Revenue	30,100	51,268	21,168
Subdivision inspection fees	200,000	46,503	(153,497)
Fire plan review fees	-	38,545	38,545
Zoning fees	18,110	19,770	1,660
Building plan fees	60,000	52,580	(7,420)
Inspections technology fee	61,000	65,595	4,595
E-Government subscription fee	22,000	27,846	5,846
Total charges for services	8,620,713	9,940,678	1,319,965

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2011

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Sale of real property	$ -	141,050	141,050
Public Works claims reimbursement	25,000	26,117	1,117
Sale of junk and salvage	-	6,011	6,011
Escheated funds	-	58,920	58,920
Revenues from local developers	18,061	20,000	1,939
Other revenue	282,629	252,728	(29,901)
Total miscellaneous local revenues	325,690	504,826	179,136
Recovered costs:			
Insurance claims and collections	-	2,967	2,967
Other recoveries and rebates	17,397	211,085	193,688
Recoveries - Jury	-	520	520
Total recovered costs	17,397	214,572	197,175
Total revenues from local sources	384,556,985	397,088,007	12,531,022
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	155,000	154,830	(170)
Mobile home titling taxes	40,000	45,524	5,524
Indirect costs	272,000	386,597	114,597
Daily rental taxes - auto	630,411	654,095	23,684
Deed taxes	550,000	590,920	40,920
Personal Property Tax Relief	28,590,001	28,590,001	-
Local aid to the Commonwealth Contra Revenue	(1,221,535)	(1,450,889)	(229,354)
Total noncategorical aid	29,015,877	28,971,078	(44,799)
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,706,903	1,632,395	(74,508)
Sheriff	8,513,769	8,513,038	(731)
Commissioner of the Revenue	338,615	338,922	307
Treasurer	357,344	357,987	643
Registrar/Electoral Board	86,350	76,829	(9,521)
Circuit court clerk	1,154,747	1,102,630	(52,117)
Agriculture	73,137	72,953	(184)
Jail project reimbursement - State	611,955	611,955	-
Total shared expenses	12,842,820	12,706,709	(136,111)

(Continued)

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:				
Other categorical aid:				
Local jail	$	1,971,971	2,031,789	59,818
Police		6,606,738	6,529,120	(77,618)
Street and highway maintenance		28,595,655	28,595,655	-
Library		176,738	176,873	135
Health		1,000	17,371	16,371
Excess fees		314,900	214,671	(100,229)
Other state grants		-	1,502	1,502
Transportation improvement set-aside		983,000	1,088,175	105,175
Total other categorical aid		38,650,002	38,655,156	5,154
Total categorical aid		51,492,822	51,361,865	(130,957)
Total revenues from the Commonwealth		80,508,699	80,332,943	(175,756)
Revenues from the Federal Government				
Noncategorical aid - Refuge Revenue Sharing Act		40,000	26,644	(13,356)
Categorical aid:				
Other federal grants		17,186	22,186	5,000
Drug Enforcement Agency		-	12,757	12,757
Emergency reimbursement - federal		54,299	162,466	108,167
Total revenues from the Federal Government		111,485	224,053	112,568
Total revenues		465,177,169	477,645,003	12,467,834
OTHER FINANCING SOURCES				
Payments from component units:				
Chesapeake Public Schools		-	252,124	252,124
Chesapeake Public Schools - cash reversion		-	94,379	94,379
Transfers from other funds		14,633,746	16,051,623	1,417,877
Total other financing sources		14,633,746	16,398,126	1,764,380
Total revenues and other financing sources	$	479,810,915	494,043,129	14,232,214

CITY OF CHESAPEAKE, VIRGINIA *Schedule M-2*

General Fund
Schedule of Expenditures, Encumbrances, and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2011

	Appropriations	Expenditures Operating	Capital Outlay	Total	Unexpended Balance	Encumbrances	Unencumbered Balance
EXPENDITURES							
General government:							
Legislative Department - City Council	$ 830,952	768,234	-	768,234	62,718	-	62,718
Executive Department:							
City manager	1,700,588	1,653,064	-	1,653,064	47,524	35,342	12,182
Public communications	1,028,838	1,022,460	-	1,022,460	6,378	3,060	3,318
Contingencies	1,369,331	-	-	-	1,369,331	-	1,369,331
Department of Law - City Attorney	1,677,113	1,660,065	-	1,660,065	17,048	-	17,048
Department of Finance:							
Commissioner of revenue	3,109,149	2,985,530	28,581	3,014,111	95,038	-	95,038
Real estate assessor	2,215,702	2,144,205	-	2,144,205	71,497	175	71,322
Board of equilization	4,246	2,799	-	2,799	1,447	-	1,447
City treasurer	4,283,882	4,077,616	-	4,077,616	206,266	18,874	187,392
Director of finance	2,036,245	1,817,215	13,205	1,830,420	205,825	41,183	164,642
Economic development	1,860,545	1,678,519	-	1,678,519	182,026	30,253	151,773
Portlock galleries	-	-	-	-	-	-	-
Budget director	717,800	649,298	-	649,298	68,502	5,071	63,431
City auditor	502,970	496,491	-	496,491	6,479	-	6,479
Independent auditors	174,704	152,330	-	152,330	22,374	-	22,374
Financial advisory services	199,284	3,688	-	3,688	195,596	59,955	135,641
Department of Human Resources:							
Human resources	1,924,328	1,752,718	-	1,752,718	171,610	-	171,610
HIPAA	213,261	177,390	33,421	210,811	2,450	-	2,450
Judicial Department:							
Circuit court	583,419	529,211	-	529,211	54,208	18	54,190
Magistrates office	66,616	59,593	-	59,593	7,023	-	7,023
General district court	2,303,034	2,286,460	-	2,286,460	16,574	-	16,574
Juvenile and domestic relations court	104,731	103,160	-	103,160	1,571	-	1,571
Court services unit	293,104	258,224	-	258,224	34,880	-	34,880
Commonwealth's attorney	3,383,225	3,282,942	-	3,282,942	100,283	-	100,283
Circuit court clerk	1,995,997	1,918,446	-	1,918,446	77,551	45,369	32,182
Sheriff	36,002,373	35,211,684	325,922	35,537,606	464,767	277,817	186,950
Law library	108,634	108,679	-	108,679	(45)	-	(45)
Department of General Services:							
Purchasing	735,339	667,657	-	667,657	67,682	-	67,682
Buildings maintenance	5,184,899	4,922,241	-	4,922,241	262,658	2,981	259,677
Facilities Management - building	1,431,412	1,184,525	-	1,184,525	246,887	-	246,887
Department of Public Health:							
Adult clinics	484,890	479,985	-	479,985	4,905	-	4,905
General clinics	1,551,925	1,547,944	-	1,547,944	3,981	3,800	181
OSHA services	594,517	567,976	-	567,976	26,541	27,614	(1,073)

(Continued)

General Fund
Schedule of Expenditures, Encumbrances, and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2011

	Appropriations	Expenditures: Operating	Expenditures: Capital Outlay	Expenditures: Total	Unexpended Balance		Unencumbered Balance
General government, continued:							
Department of Public Library:							
Public library	$ 7,039,695	6,985,732	22,068	7,007,800	31,895	26,312	5,583
Records management	59,565	53,192	-	53,192	6,373	-	6,373
Public library state aid	176,738	176,713	-	176,713	25	25	-
Boards and Commissions:							
Planning department	1,724,053	1,603,895	-	1,603,895	120,158	115	120,043
Planning commission	53,988	35,255	-	35,255	18,733	-	18,733
Electoral board	841,589	802,758	-	802,758	38,831	-	38,831
Electoral workers	91,905	49,465	-	49,465	42,440	-	42,440
Department of Agriculture	375,126	335,200	-	335,200	39,926	201	39,725
Department of Neighborhood Services:							
Office of youth services	720,474	681,254	-	681,254	39,220	-	39,220
Housing office	151,235	124,743	-	124,743	26,492	2,541	23,951
Nondepartmental:							
Support of civic and community organizations	344,545	330,751	-	330,751	13,794	-	13,794
Regional cooperation and support	6,071,919	6,040,872	-	6,040,872	31,047	-	31,047
Other postemployement benefits	9,240,548	9,236,672	-	9,236,672	3,876	-	3,876
Other nondepartmental support	2,708,483	2,630,298	-	2,630,298	78,185	-	78,185
Chesapeake regional airport	627,597	627,597	-	627,597	-	-	-
Debt service	2,229,250	2,227,948	-	2,227,948	1,302	-	1,302
Total general government	111,129,763	106,112,694	423,197	106,535,891	4,593,872	580,706	4,013,166
Public Safety:							
Police department	36,897,794	36,717,758	6,500	36,724,258	173,536	54,130	119,406
Animal control	1,191,183	1,188,849	-	1,188,849	2,334	3,300	(966)
Public safety training	521,091	455,650	-	455,650	65,441	44,610	20,831
Fire department	35,848,271	35,403,148	-	35,403,148	445,123	45,710	399,413
Fire prevention bureau	1,240,855	1,211,609	-	1,211,609	29,246	21,797	7,449
Fire training	173,734	173,877	-	173,877	(143)	-	(143)
Fire - environmental compliance	97,987	91,160	-	91,160	6,827	4,094	2,733
Emergency medical services	939,802	916,872	-	916,872	22,930	-	22,930
Neighborhood services	3,245,284	3,101,124	-	3,101,124	144,160	11,250	132,910
Citizen call center	589,007	572,664	-	572,664	16,343	-	16,343
Neighborhood coordination	282,724	253,326	-	253,326	29,398	2,856	26,542
Office of zoning administration	2,434,351	2,252,055	-	2,252,055	182,296	-	182,296
Emergency management operations	265,304	253,368	-	253,368	11,936	-	11,936
Total public safety	83,727,387	82,591,460	6,500	82,597,960	1,129,427	187,747	941,680
Public works:							
Engineering and administration	8,883,341	8,388,099	-	8,388,099	495,242	13,400	481,842
Traffic engineering	1,955,230	1,564,594	-	1,564,594	390,636	136	390,500
Street maintenance	5,816,046	4,955,771	564,038	5,519,809	296,237	1,096	295,141
Bridges and structures	2,096,470	1,887,604	-	1,887,604	208,866	27	208,839
Bureau of drainage	1,944,148	1,809,515	-	1,809,515	134,633	-	134,633
Contractual services	5,125,289	4,890,941	-	4,890,941	234,348	210,345	24,003
Public works operations	598,130	592,027	-	592,027	6,103	-	6,103
Solid waste collection	8,098,083	8,004,825	-	8,004,825	93,258	90,936	2,322
Total public works	34,516,737	32,093,376	564,038	32,657,414	1,859,323	315,940	1,543,383
Total expenditures and encumbrances	229,373,887	220,797,530	993,735	221,791,265	7,582,622	1,084,393	6,498,229

(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, 2011

	Appropriations	Expenditures: Operating	Expenditures: Capital Outlay	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance
OTHER FINANCING USES							
Transfers to component unit:							
Public Schools	$ 169,532,059	169,532,059	-	169,532,059	-	-	-
Transfers to other funds:							
Debt Service Fund	50,957,269	50,893,302	-	50,893,302	63,967	-	63,967
Capital Projects Fund	8,502,000	8,502,000	-	8,502,000	-	-	-
Virginia Public Assistance Fund	5,292,439	5,292,439	-	5,292,439	-	-	-
Community Services Fund	5,379,154	5,379,154	-	5,379,154	-	-	-
Interagency Consortium Fund	1,854,828	1,854,828	-	1,854,828	-	-	-
Fee Supported Activities Fund	96,636	96,636	-	96,636	-	-	-
Grants Fund	422,221	422,221	-	422,221	-	-	-
E-911 Operations Fund	1,091,106	1,091,106	-	1,091,106	-	-	-
Chesapeake Juvenile Services Fund	1,668,567	1,668,567	-	1,668,567	-	-	-
City Garage Fund	2,132	2,132	-	2,132	-	-	-
Self Insurance Fund	10,334,280	10,334,280	-	10,334,280	-	-	-
Parks and Recreation Fund	6,689,242	6,689,242	-	6,689,242	-	-	-
Proffer Fund	2,470,835	2,305,640	-	2,305,640	165,195	-	165,195
Total transfers to other funds	94,760,709	94,531,547	-	94,531,547	229,162	-	229,162
Total other financing uses	264,292,768	264,063,606	-	264,063,606	229,162	-	229,162
Total expenditures, encumbrances, and other financing uses	$ 493,666,655	484,861,136	993,735	485,854,871	7,811,784	1,084,393	6,727,391

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, 2011

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	$ 497,796	307,785	(190,011)
Revenues from use of property	115,765	54,889	(60,876)
Miscellaneous local revenues	646,576	646,577	1
Intergovernmental revenues			
Commonwealth of Virginia	216,439	223,734	7,295
Federal government - American Reinvestment and Recovery Act	-	584,678	584,678
Total revenues	1,476,576	1,817,663	341,087
EXPENDITURES			
Interest on general obligation bonds	18,158,117	18,510,897	(352,780)
Interest on literary loans	89,382	89,381	1
Interest on open space agriculture preservation	64,430	64,430	-
Capital lease payments	1,038,089	1,038,089	-
Other debt expenditures	531,000	394,274	136,726
Redemption of general obligation bonds	35,167,017	34,062,573	1,104,444
Redemption of literary loans	549,493	549,493	-
Total expenditures	55,597,528	54,709,137	888,391
Deficiency of revenues under expenditures	(54,120,952)	(52,891,474)	1,229,478
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	50,957,269	50,893,302	(63,967)
Conference Center Fund	1,000,000	1,000,000	-
Capital Projects Fund	-	908,205	908,205
Open Space Agriculture Preservation Fund	64,430	64,430	-
Tax Increment Financing - Greenbrier Fund	1,214,313	1,130,540	(83,773)
Tax Increment Financing - South Norfolk Fund	408,941	304,799	(104,142)
Total transfers from other funds	53,644,953	54,301,276	656,323
Payments from component unit - Public Schools Capital Projects Fund	-	289,783	289,783
Premiums on general obligation bonds issued	-	70,002	70,002
Proceeds from general obligation bonds issued	476,000	300,684	(175,316)
Total other financing sources (uses)	54,120,953	54,961,745	840,792
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1	2,070,271	2,070,270
Fund balance - beginning	39,042,813	39,042,813	-
Fund balance - ending	$ 39,042,814	41,113,084	2,070,270

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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.

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA *Schedule O*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects:									
General Government:									
1011200100	American with Disability Act III	$ 15,000	15,000	-	15,000	-	-	-	*
1011210100	American with Disability Act III	8,661	-	-	-	8,661	-	8,661	
1011500100	Butts Station Operation Relocation Phase I	9,700,000	-	-	-	9,700,000	-	9,700,000	
1021200100	Facilities High Priority Renewal & Replacement	2,800,000	1,377,061	1,072,665	2,449,726	350,274	175,800	174,474	
1030800100	American with Disability Act II	228,706	228,706	-	228,706	-	-	-	*
1030810100	American with Disability Act II	13,366	-	-	-	13,366	-	13,366	
1051000100	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000	
1070410100	Integrated Financial Management System	75,883	-	-	-	75,883	-	75,883	
1070500100	Congestion Mitigation Air Quality Program	170,354	7,631	-	7,631	162,723	-	162,723	
1070900100	TCC Land Acquisition	6,121,093	5,828,431	-	5,828,431	292,662	-	292,662	
1081100100	Greenbrier - Community Center	1,000,000	304,927	232,969	537,896	462,104	193,024	269,080	
1090900100	South Norfolk Strategic Development	2,000,000	1,477,903	12,542	1,490,445	509,555	42,450	467,105	
1091100100	Greenbrier - Wayfinding Signage	236,411	11,950	-	11,950	224,461	13,500	210,961	
1091400100	Human Services - HVAC/Emergency Exit	1,620,000	52,600	70,610	123,210	1,496,790	36,866	1,459,924	
1101100100	Greenbrier Sidewalk/Crosswalk Improvement	1,242,112	1,015,482	67,825	1,083,307	158,805	75,276	83,529	
1101200100	South Norfolk Community Development	75,000	-	1,474	1,474	73,526	-	73,526	
1101400100	Telephone System Upgrade	389,278	374,421	14,857	389,278	-	-	-	*
1101400100	Telephone System Upgrade	92,464	-	-	-	92,464	35,017	57,447	
1110900100	Battlefield Boulevard Plan Land Acquisition	196,155	195,155	-	195,155	1,000	-	1,000	*
1111400100	CSR Upgrade	165,000	122,640	42,360	165,000	-	-	-	*
1120900100	South Norfolk Plan Land Acquisition	1,688,818	1,688,818	-	1,688,818	-	-	-	*
1121100100	Enterprise Wide Technology Improvement	482,100	366,926	115,175	482,100	-	-	-	*
1121100100	Enterprise Wide Technology Improvement	156,793	-	-	-	156,793	151,693	5,100	
1121400100	e-Government Initiative Phase II Web 2.0	317,420	-	197,710	197,710	119,710	38,526	81,184	
1128810100	Drainage City-Wide II	144,449	144,632	(183)	144,449	-	-	-	*
1131200100	Greenbrier Center District - Greenbrier TIF	2,344,575	1,855,199	489,376	2,344,575	-		-	*
1131200100	Greenbrier Center District - Greenbrier TIF	5,673,853	-	70,846	70,846	5,603,007	469,961	5,133,046	
1131400100	Voicemail System Upgrade	140,926	140,926	-	140,926	-	-	-	*
1140700100	South Norfolk Community Improvement	190,330	190,330	-	190,330	-	-	-	*
1140900100	Open Space & Agriculture	75,000	7,058	-	7,058	67,942	-	67,942	
1141000100	Greenbrier TIF - Conference Center District	1,131,952	7,740	53,300	61,040	1,070,912	47,669	1,023,243	
1149600100	Arts Education Center	86,352	86,352	-	86,352	-	-	-	
1150900100	Fire Station 3 - Indian River	256,348	181,736	-	181,736	74,612		74,612	
1151000100	Conference Center Renovations	2,754,870	1,305,367	256,336	1,561,703	1,193,167	242,356	950,811	
1151100100	Community Quality of Life Incentive	400,000	70,401	6,910	77,311	322,689	-	322,689	
1151200100	North Corporate District - Greenbrier TIF	528,090	33,880	28,753	62,633	465,457	-	465,457	
1159810100	American with Disability Act	127	-	127	127	-	-	-	
1161100200	Police Precinct / Parks & Recreation Building	1,110,005	980,008	129,968	1,109,976	29	-	29	
1161200100	Commerce District - Greenbrier TIF	316,854	-	-	-	316,854	-	316,854	
1181000100	Greenbrier Gateway Signage	250,000	11,638	-	11,638	238,362	-	238,362	
1181200100	Municipal District - Greenbrier TIF	28,876,547	20,575	1,454,845	1,475,420	27,401,127	600,720	26,800,407	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule O, Continued*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects, continued:									
General Government, continued:									
1181300100	Greenbrier TIF - Woodlake Drive Expansion	$ 1,615,970	391,492	1,196,527	1,588,019	27,951	-	27,951	
1191200100	South Norfolk TIF - Poindexter Street Scape	7,400,000	325,461	780,122	1,105,582	6,294,418	2,107,531	4,186,887	
1201000100	Greenbrier Center Pedestrian Safety	1,120,474	-	-	-	1,120,474	-	1,120,474	
1201200100	South Norfolk TIF - Library Expansion	5,334,951	111,001	794,473	905,474	4,429,477	285,270	4,144,207	
1221000100	EMS Field Data Collection and Billing System	395,000	218,804	172,555	391,359	3,641	-	3,641	
1221200100	South Norfolk TIF - Johnson Park Improvement	50,000	-	-	-	50,000	-	50,000	
1230900100	Animal Control Bureau Shelter	2,886,613	2,589,564	64,103	2,653,667	232,946	-	232,946	
1241000100	Public Safety Facility Design	265,000	148,212	-	148,212	116,788	62,950	53,838	
1261500100	IT Uninterruptible Power Supply (UPS)	138,600	-	138,600	138,600	-	-	-	*
1271500100	Fuel Focus Upgrade	483,058	-	378,746	378,746	104,312	67,833	36,479	
1280500100	Environment Assessment Remedial Program	1,363,037	1,259,236	-	1,259,236	103,801	-	103,801	
1281100100	Asset Management / Work Order System	1,392,205	1,374,840	17,290	1,392,130	75	-	75	*
1281500100	Mainframe Migration Project Phase I	3,500,000	-	50,551	50,551	3,449,449	44,070	3,405,379	
1300600100	Chesapeake Airport Improvement	388,755	388,755	-	388,755	-	-	-	
1300900100	Conference Center Equipment Replacement	812,344	728,390	69,353	797,743	14,601		14,601	
1311100100	Various Technology Projects	371,816	324,960	46,856	371,816	-		-	*
1311100100	Various Technology Projects	144,880	-	-	-	144,880	-	144,880	
1331500100	Computer Aided Dispatch	750,000	-	-	-	750,000	-	750,000	
1390600100	Facility Space Needs	113,000	18,033	-	18,033	94,967	-	94,967	
1391300100	Public Safety Building Windows	700,000	-	-	-	700,000	-	700,000	
1411300100	Risk Management Software I	208,745	-	22,377	22,377	186,368	162,056	24,313	
1441300100	Fast Payback Energy Conservation	720,000	16,705	-	16,705	703,295	-	703,295	
1451300100	Circuit Court Clerk Security and Document Preservation	270,000	152,349	-	152,349	117,651	-	117,651	
1461300100	Buildout for Judges' Chambers	250,500	51,718	148,319	200,038	50,462	-	50,462	
1571200100	Greenbrier TIF - Mall Bike Trail	69,426	-	-	-	69,426	-	69,426	
1581200100	Greenbrier TIF - Commerce Bike Trail	120,338	-	-	-	120,338	-	120,338	
1611200100	Municipal Center Parking Lots / Sidewalks	600,000	380,836	58,253	439,089	160,911	-	160,911	
1621200100	Commerce Park	2,975,000	-	-	-	2,975,000	-	2,975,000	
1631200100	Infrastructure Improvement	6,567,583	217,204	16,586	233,789	6,333,794	47,678	6,286,116	
1631210100	Elizabeth River Landing Park	391,000	-	287	287	390,713	-	390,713	
1911200100	Personal Property System Rewrite	700,000	68,250	155,943	224,193	475,807	52,125	423,682	
1921200100	Human Resource/Payroll System	621,118	621,118	-	621,118	-	-	-	*
1921200100	Human Resource/Payroll System	5,638,420	2,451,398	1,530,708	3,982,106	1,656,314	1,037,660	618,654	
1931200100	Public Communications - Council Chambers	257	-	-	-	257		257	
1931210100	EFS Bundle and Module Improvement	128,039	24,759	-	24,759	103,280		103,280	
1931220100	Various Technology Projects	29,746	(1)	26,910	26,910	2,836	1,035	1,801	*
1951200100	City Hall Campus Security	141,500	23,598	-	23,598	117,902		117,902	
1981200100	Community Revitalization	860,000	800,000	-	800,000	60,000	-	60,000	
Total General Government		125,692,268	30,790,175	9,987,023	40,777,199	84,915,069	5,991,065	78,924,004	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule O, Continued*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance
General construction projects, continued:								
Department of Public Safety:								
1040900200	Grade Crossing Safety & Intersection	$ 150,000	1,221	-	1,221	148,779	-	148,779
1061100200	Land Acquisition - Fire Station # 10 / Police Precinct # 6	605,610	-	-	-	605,610	605,610	-
1131100200	Self Contained Breathing Apparatus	1,294,390	1,283,756	10,014	1,293,770	620	-	620
1141400200	Jail HVAC/Energy Retrofit	4,000,000	15,306	584,967	600,273	3,399,727	-	3,399,727
1220900200	Public Safety Building Addition Study	100,000	68,710	-	68,710	31,290	-	31,290
1230900200	Animal Control Bureau Shelter	840,999	813,216	-	813,216	27,783	-	27,783
1241000200	Public Safety Facility Design	938,139	18,679	-	18,679	919,460	39,223	880,237
1251500200	Restroom Renovations Fire Station #4 and #13	200,000	-	760	760	199,240	-	199,240
1371400200	Animal Service Facility	14,249,000	441,191	5,743,458	6,184,649	8,064,351	3,889,515	4,174,836
1380800200	800 MHz Tower Demolition	3,138	-	3,138	3,138	-	-	-
1381400200	Public Safety Site Remediation / Turn Lane Construction	1,750,000	717,611	150,126	867,737	882,263	-	882,263
1391400200	Public Safety Headquarters EOC/EDC Phase I	5,750,000	-	97	97	5,749,903	-	5,749,903
1421300200	Fire Pumper Apparatus Replacement	77,840	-		-	77,840	-	77,840
1591200200	Jail Phase II - Design	9,500,443	7,341,769	309,273	7,651,042	1,849,401	662,524	1,186,877
1601200200	Juvenile Court Security Improvement	58,151	-		-	58,151	-	58,151
1971200200	Public Safety Training Academy	300,000	95,938	(4,181)	91,757	208,243	-	208,243
1991200200	Sheriff Work Release Equipment	50,000	10,439	768	11,207	38,793	-	38,793
Total Department of Public Safety		39,867,710	10,807,837	6,798,421	17,606,256	22,261,454	5,196,872	17,064,582
Department of Public Works:								
1020710300	Gilmerton Bridge Repairs II	1,024,117	1,020,557	3,560	1,024,117	-	-	-
1020720300	Gilmerton Bridge Repairs II	218,999	-	-	-	218,999	-	218,999
1020810300	Campostella Road Culvert and Ditch Upgrade	200,000	-	-	-	200,000	-	200,000
1031000300	Poindexter Street Outfall Improvements	186,144	186,144	-	186,144	-		- *
1031200300	Grade Crossing Safety Program II	100,000	-	-	-	100,000	-	100,000
1040600300	Gilmerton Bridge Replacement	2,638,262	68,886	-	68,886	2,569,376	-	2,569,376
1040900300	Grade Crossing Safety Program	100,000	-	16,523	16,523	83,477	-	83,477
1041200300	Repairs and Maintenance Roads / Bridges	65,000	-	-	-	65,000	-	65,000
1050900300	Smart Traffic Center Phase 4	4,867,181	1,989,451	2,783,248	4,772,698	94,483	2,018	92,465
1051100300	George Washington Highway Right of Way Acquisition	915,000	565,399	294,379	859,778	55,222	13,098	42,124
1060900300	Smart Traffic Center Phase 3	1,000,000	50,476	949,418	999,893	107	107	-
1080410300	Undesignated Public Works Projects II	2,775	1,231	313	1,544	1,231	-	1,231
1110500300	Various Traffic Signals	193	-		-	193	-	193
1131500300	Elbow Road Safety Improvements	103,563	-	-	-	103,563	-	103,563
1141100300	Long Bridge Replacement	3,024,919	2,541,214	483,705	3,024,919	-	-	- *
1141500300	Elbow Road Phase I	1,900,000	-	395	395	1,899,605	-	1,899,605
1150500300	Master Road Plan Study	205,000	157,061	14,851	171,912	33,088	22,277	10,811
1151500300	Bruce Road/Taylor Road Right Turn Lane	225,000	-	-	-	225,000	-	225,000
1161500300	Military Highway S at Baugher Avenue	231,618	-	-	-	231,618	-	231,618
1170900300	Military Highway Study and Street Lights	580,000	188,695	-	188,695	391,305	-	391,305

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule O, Continued*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Encumbrances	Unencumbered Balance	
General construction projects, continued:									
Department of Public Works, continued:									
1171500300	Military Highway S at State Street	$ 432,907	-	-	-	432,907	-	432,907	
1200500300	Gum Road Multi-Use Path	625,000	231,526	35,996	267,522	357,478	-	357,478	
1210500300	Poindexter St Improvements	1,878,206	1,834,255	(4,656)	1,829,599	48,607	3,398	45,209	
1210600300	Fuel Tank Leak Prevention and Detection	200,000	199,743	-	199,743	257	-	257	
1210800300	Traffic Signals and Intersection Improvements	770,401	741,305	29,096	770,401	-	-	-	*
1210820300	Traffic Signals and Intersection Improvements	430,607	-	30	30	430,577	-	430,577	
1211000300	Great Dismal Swamp Trail Phase 1	1,967,200	475,562	-	475,562	1,491,638	1,924	1,489,714	
1230600300	Route 104 Steel Bridge	33,833,000	10,587,041	13,431,358	24,018,399	9,814,601	995,957	8,818,644	
1241100300	Battlefield Boulevard / Cedar Road	761,252	2,984	-	2,984	758,268	-	758,268	
1241500300	George Washington Highway Improvement	3,600,000	-	804,812	804,812	2,795,188	2,062,874	732,314	
1270710300	Master Drainage Improvement II	1,963,942	1,087,884	384,253	1,472,137	491,805	-	491,805	
1271300300	Lake Drummond Bridge Replacement	675,100	3,500	6,953	10,453	664,647	9,102	655,545	
1321000300	Wellon-Forehand Bridge Repair	16,030	-		-	16,030	-	16,030	
1321500300	Safe Roads to School Program	158,202	-	-	-	158,202	-	158,202	
1330900300	Greentree / Oakgrove Road	16,612	15,960	652	16,612	-	-	-	*
1331100300	Various Intersection Improvements	697,575	225,773	175,265	401,038	296,537	-	296,537	
1341100300	Various Drainage Improvements	905,250	269,439	312,266	581,705	323,545	411	323,134	
1341110300	Various Drainage Improvements - Crestharbor	442,057	442,057	-	442,057	-	-	-	*
1341120300	Various Drainage Improvements - Loxley	450,000	117,840	332,160	450,000	-	-	-	
1341130300	Various Drainage Improvements - Willow	376,308	288,156	88,152	376,308	-	-	-	*
1341140300	Various Drainage Improvements - West Munden	1,037,548	110,253	183,306	293,559	743,989	43,789	700,200	
1350900300	Route 17 Financing Study	1,751,791	775,737	428,130	1,203,866	547,925	20,578	527,347	
1351000300	Portsmouth Boulevard Phase 4	13,632,000	451,891	36,650	488,541	13,143,459	576,908	12,566,551	
1361000300	Hanbury-Battlefield Intersection & Ramp	1,700,000	251,664	802,349	1,054,013	645,987	165,789	480,198	
1361300300	Dominion Boulevard Shoulder Expansion	2,013,336	1,996,736	16,600	2,013,336	-	-	-	*
1370800300	Chesapeake Virginia Beach Fentress Land Study	25,000	25,000	-	25,000	-	-	-	*
1380600300	Repairs and Maintenance Roads/Bridges	950,374	926,907	23,467	950,374	-	-	-	*
1380610300	Repairs and Maintenance Roads/Bridges	56,405	-	45,005	45,005	11,400	-	11,400	
1401400300	Community Rating System	34,000	10,944	6,536	17,481	16,519	16,519	-	
14114003ES	Various Roadway Resurfacing - ARRA	3,912,370	16,314	3,857,449	3,873,763	38,607	23,560	15,047	
14214003ES	Citywide Bridge Deck Seal Rehabilitation - ARRA	1,095,603	-	1,055,740	1,055,740	39,863	-	39,863	*
14314003ES	Citywide Traffic Signal LED Upgrade - ARRA	318,249	850	305,822	306,672	11,577	-	11,577	
14414003ES	Dismal Swamp Canal Trail - ARRA	1,300,000	85,891	44,603	130,494	1,169,506	-	1,169,506	
1471300300	Greenbrier Parkway Northbound Lane	317,286	316,948	338	317,286	-	-	-	*
1479910300	Jordan Bridge II	123,800	103,494	2,258	105,752	18,048	-	18,048	
1599900300	Street Lights	1,057,129	1,047,215	-	1,047,215	9,914		9,914	
1641200300	Hudgins Bridge Replacement	500,000	9,998	6,460	16,458	483,542	13,682	469,860	
1651200300	Beaver Dam Bridge Replacement	557,308	16,803	7,622	24,425	532,883	532,883	-	
1661200300	Tilden / Battlefield Intersection Improvement	591,091	591,091	-	591,091	-		-	*

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule O, Continued*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance
General construction projects, continued:								
Department of Public Works continued:								
1671200300	Traffic Signal / Intersection Improvement	$ 473,050	469,766	3,283	473,050	-	-	- *
1671210300	Traffic Signal / Intersection Improvement	777,818	-	13,700	13,700	764,118	1,000	763,118
1831200300	Volvo / Independence Parkway Tinter	2,969,000	316,439	52,804	369,243	2,599,757	295,096	2,304,661
1851200300	Waters Road Ditch and Shoulder Improvement	1,509,680	511,040	587,532	1,098,572	411,108	45,262	365,846
1861200300	Centerville/ Blue Ridge / Fentress	1,900,000	329,798	436,550	766,348	1,133,652	587,511	546,141
1871200300	Pocaty Bridge Replacement	1,532,320	423,651	1,029,333	1,452,984	79,336	28,699	50,637
1881200300	Bell Mills Bridge Replacement	1,675,000	125,443	294,410	419,853	1,255,147	137,253	1,117,894
1891200300	Tilden / Wayne Avenue Connector Road	13,603	16,682	(3,079)	13,603	-	-	- *
1901200300	West Road Connector	801,916	651,916	150,000	801,916	-	-	- *
Total Department of Public Works		110,413,098	32,874,610	29,529,594	62,404,206	48,008,891	5,599,695	42,409,196
Department of Libraries:								
1941201000	Library RFID System	6,283	-		-	6,283	-	6,283
1081401000	Library Renewal/Replacement Proffer	171,195	-	109,693	109,693	61,502	-	61,502
Total Department of Libraries		177,478	-	109,693	109,693	67,785	-	67,785
Department of Parks and Recreation:								
1041100400	Demolition of Camp 22 Buildings	204,651	181,979	-	181,979	22,672	-	22,672
1130800400	Bryant Farms Park	55,007	55,007	-	55,007	-	-	- *
1150800400	Chesapeake City Park	145,215	145,215	-	145,215	-	-	-
1161300400	Deep Creek Park	4,836,361	355,751	3,910,265	4,266,016	570,345	244,605	325,740
1170500400	Parks Land Acquisition	1,683,403	1,350,099	-	1,350,099	333,304	-	333,304
1170500400	Parks Land Acquisition	612,337	612,337	-	612,337	-	-	- *
1180800400	Miars Plantation	57,945	57,945	-	57,945	-	-	-
1221200400	Johnson Park Improvements	500,000	303,851	752	304,603	195,397	111,067	84,330
1260700400	Battlefield Visitor Center	2,503,831	453,525	535,628	989,152	1,514,679	850,604	664,075
1270800400	River's Edge Play Area	53,431	53,431	-	53,431	-	-	- *
1271100400	Park Shelters & Playgrounds	556,853	413,889	926	414,815	142,038	13,247	128,791
1280900400	South Battlefield Park	53,599	53,599	-	53,599	-	-	-
1300800400	Oak Grove Lake Park	136,089	136,089	-	136,089	-	-	-
1301500400	Cascade Blvd. Park Lighting	205,000	-	-	-	205,000	-	205,000
1311500400	South Norfolk Armory Demolition	495,375	-	1,425	1,425	493,950	-	493,950
1320800400	Southwestern Park	763	763	-	763	-	-	-
1340600400	New Park Development - Open Space	391,785	291,633	2,825	294,458	97,327	-	97,327

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule O, Continued*

Capital Projects Fund
Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2011

Project		Appropriations	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Encumbrances	Unencumbered Balance
General construction projects, continued:								
Department of Parks and Recreation continued:								
1390900400	Bells Mill	$ 15,223	15,223	-	15,223	-	-	- *
1410900400	Camelot Park	7,239	-	-	-	7,239	7,239	-
1451400400	Northwest River Renovations	242,000	-	24,294	24,294	217,706	8,635	209,071
1461400400	Centerville Park Upgrade	548,000	-	25,949	25,949	522,051	3,166	518,885
1481300400	Harbor North Park	44,805	44,805	-	44,805	-	-	- *
1821200400	Cornland Park	22,139	22,139	-	22,139	-		-
1841200400	Park Improvements	901,550	656,208	43,396	699,604	201,946	73,597	128,349
1961200400	Camelot Community Center	1,581,250	514,360	975,369	1,489,729	91,521	-	91,521
Total Department of Parks and Recreation		15,853,851	5,717,848	5,520,828	11,238,676	4,615,175	1,312,161	3,303,015
Total General construction projects		292,004,405	80,190,470	51,945,559	132,136,030	159,868,374	18,099,793	141,768,582
School capital projects:								
9050326650	Grassfield High School	110,200	49,371	60,829	110,200	-	-	- *
9050326650	Grassfield High School	1,458,678	-	-	-	1,458,678	-	1,458,678
Total school capital projects		1,568,878	49,371	60,829	110,200	1,458,678	-	1,458,678
Community development projects								
3813000509	Campostella	243,354	243,354	-	243,354	-	-	- *
Total community development projects		243,354	243,354	-	243,354	-	-	-
Lease revenue bonds								
6945020196	Trustee - Courthouse	n/a	92	-	92	(92)	-	(92)
Total lease revenue bonds		n/a	92	-	92	(92)	-	(92)
Supplemental agreements (trustee)								
6945030197	Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316)
Total Supplemental agreements (trustee)		n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316)
Total expenditures and encumbrances		293,816,637	82,694,603	52,006,388	134,700,992	159,115,644	18,099,793	141,015,852
Less completed projects		20,770,879			20,727,105			
Construction in progress		$ 273,045,758			113,973,887			

* Completed Projects
n/a - not applicable

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Chesapeake
VIRGINIA

Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

Solid Waste Disposal & Recycling Fund – To account for revenues and expenditures to collect and dispose of solid waste and recyclable materials. On October 26, 2010, City Council repealed the fee for the collection and disposal of solid waste including garbage, trash, and recyclable material effective January 1, 2011. Revenues and expenditures will revert back to the City's General Fund as of July 1, 2011.

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

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

Community Corrections Fund – 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.

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

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

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

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

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

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

Permanent Funds:

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

Chesapeake VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

		Special Revenue Funds			
		Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
ASSETS					
Cash and temporary investments	$	12,739,895	12,268,809	781,031	6,897,771
Intergovernmental revenues due from:					
Commonwealth of Virginia		-	-	576,840	62,294
Federal government		-	-	1,007,667	-
Federal government - American Reinvestment and Recovery Act		-	-	-	-
Receivables:					
Accounts receivable		-	-	-	2,257,773
Interest receivable		-	-	-	-
Other		-	-	-	-
Allowance for uncollectible amounts		-	-	-	(1,391,578)
Inventory of materials and supplies		-	-	-	-
Restricted asset:					
Investment		-	-	-	-
Total assets		12,739,895	12,268,809	2,365,538	7,826,260
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable		-	-	288,780	352,419
Deposits		-	-	-	-
Accrued expenditures		-	-	8,673	29,627
Deferred revenues		-	-	-	681,074
Due to other funds		-	-	-	-
Total liabilities		-	-	297,453	1,063,120
Fund Balances					
Nonspendable		-	-	-	-
Restricted		12,739,895	12,268,809	-	3,705,046
Committed		-	-	1,206,196	2,020,870
Assigned		-	-	861,889	1,037,224
Unassigned		-	-	-	-
Total fund balances		12,739,895	12,268,809	2,068,085	6,763,140
Total liabilities and fund balances	$	12,739,895	12,268,809	2,365,538	7,826,260

Special Revenue Funds					
Conference Center	**Chesapeake Juvenile Services**	**Interagency Consortium**	**Solid Waste Disposal & Recycling**	**E-911 Operations**	**Subtotal**
2,726,392	482,375	38,583	4,531,504	7,421,314	47,887,674
-	1,500	472,492	-	-	1,113,126
-	-	-	-	-	1,007,667
-	-	-	-	-	-
6,061	-	2,914	347,292	219,284	2,833,324
-	-	-	-	-	-
223,458	119,510	-	-	-	342,968
-	-	-	(5,693)	-	(1,397,271)
-	-	-	-	-	-
-	-	-	-	-	-
2,955,911	603,385	513,989	4,873,103	7,640,598	51,787,488
50,810	6,685	444,455	1,735,491	1,281,181	4,159,821
102,184	-	-	-	-	102,184
10,272	23,388	-	-	873	72,833
-	-	-	318,849	-	999,923
-	-	-	-	-	-
163,266	30,073	444,455	2,054,340	1,282,054	5,334,761
-	-	-	-	-	-
-	-	-	-	-	28,713,750
160,056	512,743	-	2,818,763	344,126	7,062,754
2,632,589	60,569	69,534	-	6,014,418	10,676,223
-	-	-	-	-	-
2,792,645	573,312	69,534	2,818,763	6,358,544	46,452,727
2,955,911	603,385	513,989	4,873,103	7,640,598	51,787,488

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds			
	Parks and Recreation	Community Corrections	Fee Supported Activities	Grants
ASSETS				
Cash and temporary investments	$ 774,288	58,800	1,337,974	5,027,045
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	-	57,204
Federal government	-	-	-	397,430
Federal government - American Reinvestment and Recovery Act	-	-	-	693,790
Receivables:				
Accounts receivable	7,068	31,409	132,248	-
Interest receivable	-	-	-	-
Other	2,270	-	-	-
Allowance for uncollectible amounts	-	-	-	-
Inventory of materials and supplies	12,995	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	796,621	90,209	1,470,222	6,175,469
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	87,136	6,764	88,385	1,364,659
Deposits	-	-	-	-
Accrued expenditures	63,520	-	1,516	9,683
Deferred revenues	111,089	-	-	-
Due to other funds	-	-	-	-
Total liabilities	261,745	6,764	89,901	1,374,342
Fund Balances				
Nonspendable	12,995	-	-	-
Restricted	-	-	505,544	4,073,129
Committed	81,817	-	104,311	727,998
Assigned	440,064	83,445	770,466	-
Unassigned	-	-	-	-
Total fund balances	534,876	83,445	1,380,321	4,801,127
Total liabilities and fund balances	$ 796,621	90,209	1,470,222	6,175,469

Special Revenue Funds					Permanent Funds		
Community Development	**Open Space Agriculture Preservation**	**Proffers**	**Housing Trust**	**CSB of Chesapeake, Inc.**	**Poor**	**Carney**	**Total Nonmajor Governmental Funds**
-	2,843,322	3,044,631	97,283	713,234	170,236	13,463	61,967,950
-	-	-	-	-	-	-	1,170,330
150,306	-	-	-	-	-	-	1,555,403
-	-	-	-	-	-	-	693,790
-	-	-	-	-	-	-	3,004,049
-	-	-	-	-	3,310	31	3,341
20,000	-	-	-	-	-	-	365,238
-	-	-	-	-	-	-	(1,397,271)
-	-	-	-	-	-	-	12,995
-	549,777	-	-	-	-	-	549,777
170,306	3,393,099	3,044,631	97,283	713,234	173,546	13,494	67,925,602
117,689	-	-	-	-	-	-	5,824,454
-	-	-	-	-	-	-	102,184
1,585	-	-	-	-	-	-	149,137
-	-	-	-	-	-	-	1,111,012
61,287	-	-	-	-	-	-	61,287
180,561	-	-	-	-	-	-	7,248,074
-	-	-	-	-	11,295	1,500	25,790
-	-	3,044,631	-	-	162,251	11,994	36,511,299
20,600	3,393,099	-	97,283	713,234	-	-	12,201,096
-	-	-	-	-	-	-	11,970,198
(30,855)	-	-	-	-	-	-	(30,855)
(10,255)	3,393,099	3,044,631	97,283	713,234	173,546	13,494	60,677,528
170,306	3,393,099	3,044,631	97,283	713,234	173,546	13,494	67,925,602

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Community Services
REVENUES				
Taxes on real property	$ 4,889,900	4,198,806	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	5,486,016	7,270,665
Federal government	-	-	10,114,042	1,098,438
Federal government - American Reinvestment and Recovery Act	-	-	149,997	-
Recovered costs	-	-	13,301	4,664
Investment income	77,013	74,166	4,721	41,697
Charges for services	-	-	1,395	3,897,559
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	-	-	-	-
Program income	-	-	-	-
Total revenues	4,966,913	4,272,972	15,769,472	12,313,023
EXPENDITURES				
Current:				
General government	51,494	47,335	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks	-	-	-	-
Public welfare	-	-	20,897,281	16,574,743
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	43,133
Education - Payments to Public Schools	-	-	-	-
Capital outlay	-	-	-	53,712
Debt service	-	-	-	-
Total expenditures	51,494	47,335	20,897,281	16,671,588
Excess (deficiency) of revenues over (under) expenditures	4,915,419	4,225,637	(5,127,809)	(4,358,565)
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	-	-	5,296,681	5,379,154
Transfers to other funds	(2,367,213)	(2,420,840)	(4,636,091)	(1,244,316)
Total other financing sources (uses)	(2,367,213)	(2,420,840)	660,590	4,134,838
Net change in fund balance	2,548,206	1,804,797	(4,467,219)	(223,727)
Fund balance - beginning	10,191,689	10,464,012	6,535,304	6,986,867
Fund balance - ending	$ 12,739,895	12,268,809	2,068,085	6,763,140

Special Revenue Funds					
Conference Center	**Chesapeake Juvenile Services**	**Interagency Consortium**	**Solid Waste Disposal & Recycling**	**E-911 Operations**	**Subtotal**
-	-	-	18,276,983	-	27,365,689
-	-	-	-	4,950,691	4,950,691
1,918,887	-	-	-	-	1,918,887
565,581	-	-	-	-	565,581
845,512	-	-	-	-	845,512
233,171	-	-	-	-	233,171
-	2,116,992	2,632,092	-	1,302,656	18,808,421
-	-	-	-	-	11,212,480
-	-	-	-	-	149,997
1,306	1,417,873	27,302	-	149	1,464,595
13,814	2,916	233	31,988	44,862	291,410
414,860	10,653	4,537	1,469,528	-	5,798,532
1,229,395	-	-	-	-	1,229,395
17	-	-	17,036	-	17,053
-	-	-	-	-	-
5,222,543	3,548,434	2,664,164	19,795,535	6,298,358	74,851,414
3,842,118	5,141,610	-	-	-	9,082,557
-	-	-	-	4,927,406	4,927,406
-	-	-	16,508,817	-	16,508,817
-	-	-	-	-	-
-	-	4,449,225	-	-	41,921,249
-	-	-	-	-	43,133
-	-	-	-	-	
-	-	-	-	1,484,433	1,538,145
-	-	-	-	-	-
3,842,118	5,141,610	4,449,225	16,508,817	6,411,839	74,021,307
1,380,425	(1,593,176)	(1,785,061)	3,286,718	(113,481)	830,107
-	1,668,567	1,854,828	-	1,091,106	15,290,336
(1,026,314)	(1,033,363)	(3,759,967)	(2,870,330)	(319,408)	(19,677,842)
(1,026,314)	635,204	(1,905,139)	(2,870,330)	771,698	(4,387,506)
354,111	(957,972)	(3,690,200)	416,388	658,217	(3,557,399)
2,438,534	1,531,284	3,759,734	2,402,375	5,700,327	50,010,126
2,792,645	573,312	69,534	2,818,763	6,358,544	46,452,727

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Funds			
	Parks and Recreation	Community Corrections	Fee Supported Activities	Grants
REVENUES				
Taxes on real property	$ -	-	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	271,512	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	477,317	-	950,143
Federal government	-	-	-	1,860,148
Federal government - American Reinvestment and Recovery Act	-	-	-	1,510,473
Recovered costs	34,555	-	92,621	53
Investment income	4,275	355	8,088	4,422
Charges for services	1,188,801	45,300	533,675	77,818
Sale of food and beverages	14,434	-	-	-
Miscellaneous local revenues	-	-	-	287,951
Program income	-	-	-	-
Total revenues	1,513,577	522,972	634,384	4,691,008
EXPENDITURES				
Current:				
General government	-	483,719	-	2,173,556
Public safety	-	-	513,722	1,797,654
Public works	-	-	-	550
Parks	8,067,817	-	-	329,566
Public welfare	-	-	-	592,258
Public welfare - Payments to Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-
Education - Payments to Public Schools	-	-	-	-
Capital outlay	-	-	115,197	1,917,313
Debt service	-	-	-	-
Total expenditures	8,067,817	483,719	628,919	6,810,897
Excess (deficiency) of revenues over (under) expenditures	(6,554,240)	39,253	5,465	(2,119,889)
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	6,699,242	-	96,636	691,569
Transfers to other funds	(508,955)	(77,086)	(8,088)	(580,287)
Total other financing sources (uses)	6,190,287	(77,086)	88,548	111,282
Net change in fund balance	(363,953)	(37,833)	94,013	(2,008,607)
Fund balance - beginning	898,829	121,278	1,286,308	6,809,734
Fund balance - ending	$ 534,876	83,445	1,380,321	4,801,127

Special Revenue Funds					Permanent Funds		
Community Development	**Open Space Agriculture Preservation**	**Proffers**	**Housing Trust**	**CSB of Chesapeake, Inc.**	**Poor**	**Carney**	**Total Nonmajor Governmental Funds**
-	271,284	-	-	-	-	-	27,636,973
-	-	-	-	-	-	-	4,950,691
-	-	-	-	-	-	-	1,918,887
-	-	-	-	-	-	-	565,581
-	-	-	-	-	-	-	845,512
-	1,200	-	-	-	-	-	505,883
-	-	-	-	-	-	-	20,235,881
1,799,784	271,482	-	-	-	-	-	15,143,894
-	-	-	-	-	-	-	1,660,470
-	-	-	-	-	-	-	1,591,824
-		-	584	4,132	2,962	245	316,473
-	-	-	-	-	-	-	7,644,126
-	-	-	-	-	-	-	1,243,829
-	-	358,234	-	-	-	-	663,238
124,629	-	-	-	-	-	-	124,629
1,924,413	543,966	358,234	584	4,132	2,962	245	85,047,891
42,023	21,535	-	-	-	-	-	11,803,390
-	-	-	-	-	-	-	7,238,782
-	-	-	-	-	-	-	16,509,367
-	-	-	-	-	-	-	8,397,383
1,513,437	-	-	-	25	-	-	44,026,969
-	-	-	-	-	-	-	43,133
-	-	1,872,040	-		-	-	1,872,040
-	-	-	-	-	-	-	3,570,655
368,953	-	-	-	326,575	-	-	695,528
1,924,413	21,535	1,872,040	-	326,600	-	-	94,157,247
-	522,431	(1,513,806)	584	(322,468)	2,962	245	(9,109,356)
-	1,002,400	2,305,640	-	326,575	-	-	26,412,398
-	(81,604)	-	-	-	-	-	(20,933,862)
-	920,796	2,305,640	-	326,575	-	-	5,478,536
-	1,443,227	791,834	584	4,107	2,962	245	(3,630,820)
(10,255)	1,949,872	2,252,797	96,699	709,127	170,584	13,249	64,308,348
(10,255)	3,393,099	3,044,631	97,283	713,234	173,546	13,494	60,677,528

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

Tax Increment Financing Greenbrier Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	$	5,346,231	4,889,900	(456,331)
Investment income		-	77,013	77,013
Total revenues		5,346,231	4,966,913	(379,318)
EXPENDITURES				
General government		522,955	51,494	471,461
Total expenditures		522,955	51,494	471,461
Excess of revenues over expenditures		4,823,276	4,915,419	92,143
OTHER FINANCING USES				
Transfer to other funds		(2,373,973)	(2,367,213)	6,760
Total other financing uses		(2,373,973)	(2,367,213)	6,760
Net change in fund balance		2,449,303	2,548,206	98,903
Fund balance - beginning		10,191,689	10,191,689	-
Fund balance - ending	$	12,640,992	12,739,895	98,903

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

Tax Increment Financing South Norfolk Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	$	4,590,771	4,198,806	(391,965)
Investment income		-	74,166	74,166
Total revenues		4,590,771	4,272,972	(317,799)
EXPENDITURES				
General government		319,074	47,335	271,739
Total expenditures		319,074	47,335	271,739
Excess of revenues over expenditures		4,271,697	4,225,637	(46,060)
OTHER FINANCING USES				
Transfer to other funds		(2,450,816)	(2,420,840)	29,976
Total other financing uses		(2,450,816)	(2,420,840)	29,976
Net change in fund balance		1,820,881	1,804,797	(16,084)
Fund balance - beginning		10,464,012	10,464,012	-
Fund balance - ending	$	12,284,893	12,268,809	(16,084)

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-5***

Virginia Public Assistance Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	6,117,608	5,486,016	(631,592)
Federal government		8,965,997	10,114,042	1,148,045
Federal government - American Reinvestment and Recovery Act		184,241	149,997	(34,244)
Total intergovernmental revenue		15,267,846	15,750,055	482,209
Recovered costs		5,500	13,301	7,801
Investment income		-	4,721	4,721
Charges for services		4,500	1,395	(3,105)
Total revenues		15,277,846	15,769,472	491,626
EXPENDITURES				
Public welfare:				
Bureau of Public Assistance		7,669,007	7,508,386	160,621
Administration		3,589,460	3,468,923	120,537
Employment Service Program/VIEW		4,886,190	4,861,895	24,295
Food Stamp Administration		5,044,185	4,973,095	71,090
Other special programs		85,377	84,982	395
Total expenditures		21,274,219	20,897,281	376,938
Deficiency of revenues under expenditures		(5,996,373)	(5,127,809)	868,564
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		5,292,439	5,292,439	-
Transfer from other funds		-	4,242	4,242
Transfer to other funds		(4,631,370)	(4,636,091)	(4,721)
Total other financing sources (uses)		661,069	660,590	(479)
Net change in fund balance		(5,335,304)	(4,467,219)	868,085
Fund balance - beginning		6,535,304	6,535,304	-
Fund balance - ending	$	1,200,000	2,068,085	868,085

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-6***

Community Services Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
From the Commonwealth of Virginia:				
Substance abuse grants	$	899,533	897,364	(2,169)
Mental health grants		6,416,250	6,011,730	(404,520)
Mental retardation grants		754,740	361,571	(393,169)
Total from the Commonwealth of Virginia		8,070,523	7,270,665	(799,858)
From the Federal government:				
Substance abuse and mental health and retardation grant		1,122,833	1,098,438	(24,395)
Charges for services:				
Mental health fees		2,018,355	1,938,114	(80,241)
Mental retardation fees		1,642,294	1,822,769	180,475
Substance abuse fees		168,000	136,676	(31,324)
Total charges for services		3,828,649	3,897,559	68,910
Recovered costs		-	4,664	4,664
Investment income		-	41,697	41,697
Total revenues		13,022,005	12,313,023	(708,982)
EXPENDITURES				
Public welfare		18,382,785	16,574,743	1,808,042
Capital outlay		54,442	53,712	730
Total expenditures		18,437,227	16,628,455	1,808,772
Deficiency of revenues under expenditures		(5,415,222)	(4,315,432)	1,099,790
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		5,379,154	5,379,154	-
Transfer to Elizabeth River Properties of Chesapeake, Inc.		(43,133)	(43,133)	-
Transfer to other funds		(1,202,619)	(1,244,316)	(41,697)
Total other financing sources (uses)		4,133,402	4,091,705	(41,697)
Net change in fund balance		(1,281,820)	(223,727)	1,058,093
Fund balance - beginning		6,986,867	6,986,867	-
Fund balance - ending	$	5,705,047	6,763,140	1,058,093

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Restaurant food tax	$	1,830,000	1,918,887	88,887
Lodging sales tax		510,000	565,581	55,581
Lodging flat tax		725,000	845,512	120,512
Revenues from use of property		275,000	233,171	(41,829)
Recovered costs		10,000	1,306	(8,694)
Investment income		-	13,814	13,814
Charges for services		545,000	414,860	(130,140)
Sale of food and beverages		1,525,750	1,229,395	(296,355)
Miscellaneous revenue		-	17	17
Total revenues		5,420,750	5,222,543	(198,207)
EXPENDITURES				
General government		4,448,737	3,842,118	606,619
Capital outlay		120,000	-	120,000
Total expenditures		4,568,737	3,842,118	726,619
Excess of revenues over expenditures		852,013	1,380,425	528,412
OTHER FINANCING USES				
Transfer to other funds		(1,012,500)	(1,026,314)	(13,814)
Total other financing uses		(1,012,500)	(1,026,314)	(13,814)
Net change in fund balance		(160,487)	354,111	514,598
Fund balance - beginning		2,438,534	2,438,534	-
Fund balance - ending	$	2,278,047	2,792,645	514,598

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-8***

Chesapeake Juvenile Services Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	1,965,792	2,116,992	151,200
Recovered costs		1,733,750	1,417,873	(315,877)
Investment income		-	2,916	2,916
Charges for services		9,500	10,653	1,153
Total revenues		3,709,042	3,548,434	(160,608)
EXPENDITURES				
General government		5,378,446	5,141,610	236,836
Total expenditures		5,378,446	5,141,610	236,836
Deficiency of revenues under expenditures		(1,669,404)	(1,593,176)	76,228
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		1,668,567	1,668,567	-
Transfer to the General Fund		(1,030,447)	(1,033,363)	(2,916)
Total other financing sources (uses)		638,120	635,204	(2,916)
Net change in fund balance		(1,031,284)	(957,972)	73,312
Fund balance - beginning		1,531,284	1,531,284	-
Fund balance - ending	$	500,000	573,312	73,312

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

Interagency Consortium Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	$	2,360,995	2,632,092	271,097
Recovered costs		-	27,302	27,302
Investment income		-	233	233
Charges for services		-	4,537	4,537
Total revenues		2,360,995	2,664,164	303,169
EXPENDITURES				
Public welfare:				
Contract services		4,209,791	4,188,278	21,513
Administrative expenses		266,247	260,947	5,300
Total expenditures		4,476,038	4,449,225	26,813
Excess (deficiency) of revenues over (under) expenditures		(2,115,043)	(1,785,061)	329,982
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		1,854,828	1,854,828	-
Transfer to the General Fund		(3,759,734)	(3,759,967)	(233)
Total other financing sources (uses)		(1,904,906)	(1,905,139)	(233)
Net change in fund balance		(4,019,949)	(3,690,200)	329,749
Fund balance - beginning		3,759,734	3,759,734	-
Fund balance - ending	$	(260,215)	69,534	329,749

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Solid Waste Disposal and Recycling Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	$	18,276,983	18,276,983	-
Investment income		-	31,988	31,988
Charges for services		2,394,000	1,469,528	(924,472)
Miscellaneous revenue		90,500	17,036	(73,464)
Total revenues		20,761,483	19,795,535	(965,948)
EXPENDITURES				
Public Works		18,753,659	16,508,817	2,244,842
Capital outlay		2,332,000	-	2,332,000
Total expenditures		21,085,659	16,508,817	4,576,842
Excess (deficiency) of revenues over (under) expenditures		(324,176)	3,286,718	3,610,894
OTHER FINANCING USES				
Transfer to the General Fund		(2,078,199)	(2,870,330)	(792,131)
Total other financing uses		(2,078,199)	(2,870,330)	(792,131)
Net change in fund balance		(2,402,375)	416,388	2,818,763
Fund balance - beginning		2,402,375	2,402,375	-
Fund balance - ending	$	-	2,818,763	2,818,763

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-11***

E-911 Operations Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Communications sales tax	$	4,950,691	4,950,691	-
Intergovernmental revenues from the Commonwealth of Virginia:				
Wireless E-911 service board		1,300,000	1,302,656	2,656
Recovered costs		-	149	149
Investment income		-	44,862	44,862
Total revenues		6,250,691	6,298,358	47,667
EXPENDITURES				
Public safety		5,123,396	4,927,406	195,990
Capital outlay		2,778,006	1,484,433	1,293,573
Total expenditures		7,901,402	6,411,839	1,489,563
Deficiency of revenues under expenditures		(1,650,711)	(113,481)	1,537,230
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		1,091,106	1,091,106	-
Transfer to other funds		(274,546)	(319,408)	(44,862)
Total other financing sources (uses)		816,560	771,698	(44,862)
Net change in fund balance		(834,151)	658,217	1,492,368
Fund balance - beginning		5,700,327	5,700,327	-
Fund balance - ending	$	4,866,176	6,358,544	1,492,368

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Parks and Recreation Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Revenues from use of property	$	293,315	271,512	(21,803)
Recovered costs		11,805	34,555	22,750
Investment income		-	4,275	4,275
Charges for services		1,152,061	1,188,801	36,740
Sale of food and beverages		13,272	14,434	1,162
Total revenues		1,470,453	1,513,577	43,124
EXPENDITURES				
Parks		8,508,574	8,067,817	440,757
Total expenditures		8,508,574	8,067,817	440,757
Deficiency of revenues under expenditures		(7,038,121)	(6,554,240)	483,881
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		6,689,242	6,689,242	-
Transfer from other funds		-	10,000	10,000
Transfer to other funds		(504,680)	(508,955)	(4,275)
Total other financing sources (uses)		6,184,562	6,190,287	5,725
Net change in fund balance		(853,559)	(363,953)	489,606
Fund balance - beginning		898,829	898,829	-
Fund balance - ending	$	45,270	534,876	489,606

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-13***

Community Corrections Fund
Schedule of Revenues, Expenditures and Other
Financing Uses - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues from the Commonwealth of Virginia:				
Community Corrections Act	$	477,317	477,317	-
Charges for services		45,744	45,300	(444)
Investment income		-	355	355
Total revenues		523,061	522,972	(89)
EXPENDITURES				
General government:				
Diversion services		214,441	195,137	19,304
Pre-trial services		287,876	288,582	(706)
Total expenditures		502,317	483,719	18,598
Excess of revenues over expenditures		20,744	39,253	18,509
OTHER FINANCING USES				
Transfer to the General Fund		(76,731)	(77,086)	(355)
Total other financing uses		(76,731)	(77,086)	(355)
Net change in fund balance		(55,987)	(37,833)	18,154
Fund balance - beginning		121,278	121,278	-
Fund balance - ending	$	65,291	83,445	18,154

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-14***

Fee Supported Activities Fund
Schedule of Revenues, Expenditures and Other
Financing Sources (Uses) - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Recovered costs	$	20,000	92,621	72,621
Investment income		-	8,088	8,088
Charges for services		1,212,570	533,675	(678,895)
Total revenues		1,232,570	634,384	(598,186)
EXPENDITURES				
Public safety		1,222,573	513,722	708,851
Capital outlay		127,594	115,197	12,397
Total expenditures		1,350,167	628,919	721,248
Excess (deficiency) of revenues over (under) expenditures		(117,597)	5,465	123,062
OTHER FINANCING SOURCES (USES)				
Transfer from the General Fund		96,636	96,636	-
Transfer to the General Fund		-	(8,088)	(8,088)
Total other financing sources (uses)		96,636	88,548	(8,088)
Net change in fund balance		(20,961)	94,013	114,974
Fund balance - beginning		1,286,308	1,286,308	-
Fund balance - ending	$	1,265,347	1,380,321	114,974

Grants Fund, Community Development Fund, Open Space Agriculture Preservation Fund, Proffers Fund, and Housing Trust Fund
Schedule of Revenues and Other Financing Sources - Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Actual	Variance Positive (Negative)
Grants Fund				
Revenues				
Intergovernmental revenues:				
Commonwealth of Virginia	$	2,088,712	950,143	(1,138,569)
Federal government		1,650,781	1,860,148	209,367
Federal government - American Reinvestment and Recovery Act		189,857	1,510,473	1,320,616
Recovered costs		-	53	53
Investment income		5,370	4,422	(948)
Charges for services		83,894	77,818	(6,076)
Miscellaneous revenues		526,899	287,951	(238,948)
Total revenues		4,545,513	4,691,008	145,495
Other financing sources				
Transfer from the General Fund		422,221	422,221	-
Transfer from other funds		269,348	269,348	-
Total other financing sources		691,569	691,569	-
Total revenues and other financing sources	$	5,237,082	5,382,577	145,495
Community Development Fund				
Revenues				
Intergovernmental revenues from the Federal government:				
Community Development Block grant	$	1,752,583	1,237,599	(514,984)
Home Rehabilitation program		1,616,951	562,185	(1,054,766)
Program income		581,929	124,629	(457,300)
Total revenues	$	3,951,463	1,924,413	(2,027,050)
Open Space Agriculture Preservation Fund				
Revenues				
Current taxes on real property	$	271,284	271,284	-
Intergovernmental revenues:				
Federal government		423,547	271,482	(152,065)
Revenue from use of property		-	1,200	1,200
Total revenues		694,831	543,966	(150,865)
Other financing source - Transfer from other funds		1,000,000	1,002,400	2,400
Total revenues and other financing sources	$	1,694,831	1,546,366	(148,465)
Proffers Fund				
Revenues				
Miscellaneous revenues	$	-	358,234	358,234
Other financing source - transfer from the General Fund		-	2,305,640	2,305,640
Total revenues and other financing sources	$	-	2,663,874	2,663,874
Housing Trust Fund				
Revenues				
Investment income	$	-	584	584
Total revenues	$	-	584	584

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-16***

Grants Fund
Schedule of Expenditures- Budget and Actual
Year Ended June 30, 2011

		Revised Budget	Expenditures Prior Year	Expenditures Current Year	Expenditures Total	Unexpended Balance
EXPENDITURES						
General government	$	11,554,910	5,599,769	2,173,556	7,773,325	3,781,585
Public safety		15,694,867	8,587,820	1,797,654	10,385,474	5,309,393
Parks		1,027,024	621,111	329,566	950,677	76,347
Public welfare		5,651,637	1,248,529	592,258	1,840,787	3,810,850
Public works		131,892	-	550	550	131,342
Captial outlay		6,910,676	4,507,710	1,917,313	6,425,023	485,653
Subtotal		40,971,006	20,564,939	6,810,897	27,375,836	13,595,170
Less closed grants		13,596,438	11,164,946	952,075	12,117,021	1,479,417
Total expenditures - active grants	$	27,374,568	9,399,993	5,858,822	15,258,815	12,115,753

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-17***

Community Development Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2011

	Appropriations	Prior Years	Current Year	Total	Unexpended Balance
HUD- Twenty-Four:					
CDBG program grants	106,664	106,664	-	106,664	-
HOME program grant	588,612	588,612	-	588,612	-
Total HUD-Twenty-Four	695,276	695,276	-	695,276	-
HUD- Twenty-Six:					
CDBG program grants	349,591	349,390	-	349,390	201
Section 108 debt service	347,090	347,090	-	347,090	-
HOME program grant	1,161,266	1,160,192	-	1,160,192	1,074
Total HUD-Twenty-Six	1,857,947	1,856,672	-	1,856,672	1,275
HUD- Twenty-Eight:					
CDBG program grants	281,895	282,396	-	282,396	(501)
Section 108 debt service	352,321	352,321	-	352,321	-
HOME program grant	1,060,515	1,060,479	-	1,060,479	36
Total HUD-Twenty-Eight	1,694,731	1,695,196	-	1,695,196	(465)
HUD- Twenty-Nine:					
CDBG program grants	1,484,165	1,483,705	-	1,483,705	460
Section 108 debt service	400,000	400,000	-	400,000	-
HOME program grant	689,495	685,500	-	685,500	3,995
Total HUD-Twenty-Nine	2,573,660	2,569,205	-	2,569,205	4,455
HUD- Thirty:					
CDBG program grants	783,830	771,242	-	771,242	12,588
Section 108 debt service	467,679	469,263	-	469,263	(1,584)
HOME program grant	811,302	605,334	75,582	680,916	130,386
Total HUD-Thirty	2,062,811	1,845,839	75,582	1,921,421	141,390
HUD- Thirty-One:					
CDBG program grants	682,275	682,124	-	682,124	151
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	589,155	366,412	55,180	421,592	167,563
Total HUD-Thirty-One	1,651,430	1,428,536	55,180	1,483,716	167,714
HUD- Thirty-Two:					
CDBG Grants	793,405	701,789	61,325	763,114	30,291
Section 108 debt service	380,000	380,000	-	380,000	-
HOME program grant	555,628	427,288	121,146	548,434	7,194
Total HUD-Thirty-Two	1,729,033	1,509,077	182,471	1,691,548	37,485
HUD- Thirty-Three:					
CDBG Grants	1,081,529	931,727	121,745	1,053,472	28,057
Section 108 debt service	399,427	399,427	-	399,427	-
HOME program grant	792,184	698,323	56,594	754,917	37,267
Total HUD-Thirty-Three	2,273,140	2,029,477	178,339	2,207,816	65,324
HUD- Thirty-Four:					
CDBG Grants	790,825	722,727	40,061	762,788	28,037
Section 108 debt service	395,761	395,761	-	395,761	-
HOME program grant	490,901	378,867	18,117	396,984	93,917
Total HUD-Thirty-Four	1,677,487	1,497,355	58,178	1,555,533	121,954
HUD- Thirty-Five:					
CDBG Grants	751,730	582,647	115,686	698,333	53,397
Section 108 debt service	376,500	211,183	165,317	376,500	-
HOME program grant	522,144	333,990	74,237	408,227	113,917
Total HUD-Thirty-Five	1,650,374	1,127,820	355,240	1,483,060	167,314
HUD- Thirty-Six:					
CDBG Grants	1,511,923		595,350	595,350	916,573
Section 108 debt service	371,000		204,036	204,036	166,964
HOME program grant	2,068,540		220,037	220,037	1,848,503
Total HUD-Thirty-Six	3,951,463	-	1,019,423	1,019,423	2,932,040
Total CDBG Grants:	8,617,832	6,614,411	934,167	7,548,578	1,069,254
Total Section 108 Debt Service	3,869,778	3,335,045	369,353	3,704,398	165,380
Total Home Grants	9,329,742	6,304,997	620,893	6,925,890	2,403,852
Total expenditures	**$ 21,817,352**	**16,254,453**	**1,924,413**	**18,178,866**	**3,638,486**

CITY OF CHESAPEAKE, VIRGINIA ***Schedule P-18***

Open Space Agriculture Preservation Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2011

			Expenditures			
		Revised Budget	Prior Years	Current Year	Total	Unexpended Balance
EXPENDITURES - General government	$	4,841,077	950,903	21,535	972,438	3,868,639
Total expenditures	$	4,841,077	950,903	21,535	972,438	3,868,639

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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.

Termination Benefits Fund – To account for the activity of the City's voluntary retirement incentive program and other termination benefits programs.

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA ***Schedule Q-1***

Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Information Technology	City Garage	Self-Insurance	Termination Benefits	Total
ASSETS					
Current assets:					
Cash and temporary investments	$ 5,711,567	9,330,678	22,950,926	-	37,993,171
Receivables:					
Accounts	9,497	325,174	-	-	334,671
Interest	-	-	94,838	-	94,838
Inventory of materials and supplies	-	489,387	-	-	489,387
Prepaid expenses	-	-	895,958	-	895,958
Total current assets	5,721,064	10,145,239	23,941,722	-	39,808,025
Noncurrent assets:					
Capital assets:					
Construction in progress	32,024	51,866	-	-	83,890
Buildings	420,440	159,095	20,930	-	600,465
Improvements other than buildings	5,740,951	170,179	-	-	5,911,130
Software, equipment and vehicles	13,538,776	73,266,899	310,990	-	87,116,665
Infrastructure	-	34,734	-	-	34,734
Less accumulated depreciation	(9,077,486)	(42,771,974)	(119,286)	-	(51,968,746)
Total capital assets, net of accumulated depreciation	10,654,705	30,910,799	212,634	-	41,778,138
Total noncurrent assets	10,654,705	30,910,799	212,634	-	41,778,138
Total assets	$ 16,375,769	41,056,038	24,154,356	-	81,586,163
LIABILITIES AND NET ASSETS					
Liabilities					
Current liabilities:					
Accounts payable	$ 111,135	1,032,369	8,873	-	1,152,377
Accrued expenses and other liabilities	1,739	44,222	-	-	45,961
Current portion of obligations under capital leases	56,504	944,869	-	-	1,001,373
Current portion of accrued vacation, sick pay, and overtime leave	144,495	64,490	6,642	-	215,627
Current portion of liability for self-insurance losses	-	-	7,645,679	-	7,645,679
Total current liabilities	313,873	2,085,950	7,661,194	-	10,061,017
Noncurrent liabilities:					
Obligations under capital leases	10,114	77,348	-	-	87,462
Accrued vacation, sick pay, and overtime leave	168,942	75,404	7,766	-	252,112
Liability for self-insurance losses	-	-	20,976,043	-	20,976,043
Total noncurrent liabilities	179,056	152,752	20,983,809	-	21,315,617
Total liabilities	492,929	2,238,702	28,645,003	-	31,376,634
Net Assets (deficit)					
Invested in capital assets, net of related debt	10,588,086	29,888,582	212,634	-	40,689,302
Unrestricted	5,294,754	8,928,754	(4,703,281)	-	9,520,227
Total net assets (deficit)	15,882,840	38,817,336	(4,490,647)	-	50,209,529
Total liabilities and net assets	$ 16,375,769	41,056,038	24,154,356	-	81,586,163

CITY OF CHESAPEAKE, VIRGINIA *Schedule Q-2*

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)
Internal Service Funds
Year Ended June 30, 2011

	Information Technology	City Garage	Self-Insurance	Termination Benefits	Total
REVENUES					
Billings to departments	$ 8,368,720	12,447,347	8,570,885	-	29,386,952
Billings to outside agencies & component units	934,454	1,171,553	-	-	2,106,007
Recovered costs	12,801	29,353	106,509	-	148,663
Total operating revenues	9,315,975	13,648,253	8,677,394	-	31,641,622
OPERATING EXPENSES					
Cost of materials billed	-	4,845,865	-	-	4,845,865
Purchases for resale	-	1,223,315	-	-	1,223,315
General and administrative	439,678	449,310	19,300	-	908,288
Other salaries and wages	3,117,434	1,535,789	156,170	28,316	4,837,709
Other fringe benefits	1,132,159	590,605	55,562	90,228	1,868,554
Self-insurance losses	-	-	1,758,278	-	1,758,278
Indemnity and medical claims	-	-	3,737,738	-	3,737,738
Other repairs and supplies	1,236,777	570,140	7,534	-	1,814,451
Equipment rental	387,784	7,155	2,091	-	397,030
Other contractual services	468,475	75,497	83,231	-	627,203
Depreciation and amortization	2,833,607	5,280,271	53,720	-	8,167,598
Insurance premiums	-	-	1,293,301	-	1,293,301
Total operating expenses	9,615,914	14,577,947	7,166,925	118,544	31,479,330
Operating income (loss)	(299,939)	(929,694)	1,510,469	(118,544)	162,292
NONOPERATING REVENUES (EXPENSES)					
Investment income	34,541	56,361	140,753	-	231,655
Interest expense	(5,223)	(78,627)	-	-	(83,850)
Gain on sale of equipment	-	89,745	-	-	89,745
Loss on sale of equipment	(153,329)	(68,736)	-	-	(222,065)
Total nonoperating revenues (expenses)	(124,011)	(1,257)	140,753	-	15,485
Income (loss) before transfers and contributions	(423,950)	(930,951)	1,651,222	(118,544)	177,777
Transfers in	29,967	110,132	10,334,280	-	10,474,379
Transfers out	(340,236)	(539,419)	-	(1,706,962)	(2,586,617)
Capital contributions	9,735,860	2,034,734	-	-	11,770,594
Increase (decrease) in net assets (deficit)	9,001,641	674,496	11,985,502	(1,825,506)	19,836,133
Total net assets (deficit) - beginning	6,881,199	38,142,840	(16,476,149)	1,825,506	30,373,396
Total net assets (deficit) - ending	$ 15,882,840	38,817,336	(4,490,647)	-	50,209,529

CITY OF CHESAPEAKE, VIRGINIA *Schedule Q-3*

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2011

	Information Technology	City Garage	Self-Insurance	Termination Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 9,368,536	13,512,343	8,677,394	-	31,558,273
Payments to suppliers	(2,512,909)	(6,601,145)	(9,147,240)	-	(18,261,294)
Payments to employees	(4,275,112)	(2,112,366)	(216,226)	(888,137)	(7,491,841)
Net cash provided by (used in) operating activities	2,580,515	4,798,832	(686,072)	(888,137)	5,805,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	29,967	110,132	10,334,280	-	10,474,379
Transfers out	(340,236)	(539,419)	-	(1,706,962)	(2,586,617)
Net cash provided by (used in) noncapital financing activities	(310,269)	(429,287)	10,334,280	(1,706,962)	7,887,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(542,822)	(2,337,705)	-	-	(2,880,527)
Interest paid	(5,223)	(78,627)	-	-	(83,850)
Repayment of obligations under capital leases	(104,545)	(1,520,314)	-	-	(1,624,859)
Proceeds from sale of capital assets	-	119,544	-	-	119,544
Net cash used in capital and related financing activities	(652,590)	(3,817,102)	-	-	(4,469,692)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	34,541	56,361	94,265		185,167
Net cash provided by investing activities	34,541	56,361	94,265	-	185,167
Net increase (decrease) in cash and temporary investments	1,652,197	608,804	9,742,473	(2,595,099)	9,408,375
Cash and temporary investments beginning of year	4,059,370	8,721,874	13,208,453	2,595,099	28,584,796
Cash and temporary investments end of year	$ 5,711,567	9,330,678	22,950,926	-	37,993,171
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (299,939)	(929,694)	1,510,469	(118,544)	162,292
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,833,607	5,280,271	53,720	-	8,167,598
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	52,561	(135,910)	-	-	(83,349)
Inventory of materials and supplies	-	(201,940)	-	-	(201,940)
Prepaid expenses	-	-	(17,179)	-	(17,179)
Accounts payable	19,805	772,077	(572)	-	791,310
Accrued expenses and other liabilities	799	342	(5,962)	(769,593)	(774,414)
Liability for self-insurance losses	-	-	(2,228,016)	-	(2,228,016)
Accrued vacation, sick pay, and overtime leave	(26,318)	13,686	1,468	-	(11,164)
Total adjustments	2,880,454	5,728,526	(2,196,541)	(769,593)	5,642,846
Net cash provided by (used in) operating activities	$ 2,580,515	4,798,832	(686,072)	(888,137)	5,805,138
Supplemental information on significant noncash transactions:					
Contributions of capital assets:					
Information Technology	$ 9,735,860				
City Garage		$ 2,034,734			

Fiduciary Fund Financial Statements

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

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

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2011

	Balances at July 1, 2010	Additions	Deductions	Balances at June 30, 2011
ASSETS				
Cash and temporary investments	$ 11,700	32,388	39,816	4,272
Total current assets	$ 11,700	32,388	39,816	4,272
LIABILITIES				
Due to children under foster care	$ 11,700	32,388	39,816	4,272
Total liabilities	$ 11,700	32,388	39,816	4,272

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Chesapeake
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Component Units

Chesapeake Public Schools:

Major Governmental funds

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

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

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

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

Fiduciary Funds:

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

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

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

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Schedule S-1

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Balance Sheet – Governmental Funds
June 30, 2011

		General	Schools' Food Services	School Textbook	Capital Projects	Total Governmental Funds
ASSETS						
Cash and temporary investments	$	37,929,403	1,628,954	10,789,907	-	50,348,264
Receivables		227,232	59,616	35,227	-	322,075
Due from federal government		28,036,693	398,863	-	-	28,435,556
Due from Commonwealth of Virginia		10,411,512	-	-	-	10,411,512
Inventory		836,324	391,396	-	-	1,227,720
Restricted cash and temporary investments		-	-	-	26,350,652	26,350,652
Total assets	$	77,441,164	2,478,829	10,825,134	26,350,652	117,095,779
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	$	34,913,343	462,367	71,788	4,217,613	39,665,111
Claims payable		7,881,932	-	-	-	7,881,932
Deferred revenue		3,486,796	-	-	-	3,486,796
Total liabilities		46,282,071	462,367	71,788	4,217,613	51,033,839
Fund balances:						
Nonspendable:						
Inventory		836,324	391,396	-	-	1,227,720
Restricted:						
Capital Projects		-	-	-	22,133,039	22,133,039
Food services		-	1,625,066	-	-	1,625,066
School textbook		-	-	10,753,346	-	10,753,346
Future health, dental, worker's compensation		21,672,342	-	-	-	21,672,342
Technology		268,480	-	-	-	268,480
Instruction		6,656,894	-	-	-	6,656,894
Assigned to:						
Instruction		1,725,053	-	-	-	1,725,053
Unassigned:		-	-	-	-	-
Total fund balances		31,159,093	2,016,462	10,753,346	22,133,039	66,061,940
Total liabilities and fund balances	$	77,441,164	2,478,829	10,825,134	26,350,652	

Adjustments for the statement of net assets:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		174,785,446
Long-term liabilities are not reported as liabilities in the governmental funds.		(52,156,964)
Net OPEB liabilities are not reported as liabilities in the governmental funds.		(204,431,601)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		7,587
Assets are not available to pay current period expenditures and therefore are offset by deferred revenue in the funds.		3,486,796
Net deficit of governmental activities	$	(12,246,796)

Schedule S-2

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

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

Year Ended June 30, 2011

	General	Food Services	Schools' School Textbook	Capital Projects	Total Governmental Funds
REVENUES					
Intergovernmental:					
From City of Chesapeake	$ 166,393,904	-	-	4,915,816	171,309,720
From Commonwealth of Virginia	197,550,896	208,083	-	-	197,758,979
From Federal government	42,682,983	6,387,867	-	-	49,070,850
Donated commodities from Federal government	-	836,231	-	-	836,231
Total intergovernmental	406,627,783	7,432,181	-	4,915,816	418,975,780
Charges for services	2,035,878	5,207,511	-	-	7,243,389
Interest	252,124	4,078	45,164	289,783	591,149
Miscellaneous	1,004,988	52,639	41,571	-	1,099,198
Total revenues	409,920,773	12,696,409	86,735	5,205,599	427,909,516
EXPENDITURES					
Education:					
Administration	7,486,758	-	-	-	7,486,758
Instruction	316,175,515	-	3,662	-	316,179,177
Attendance and health services	5,125,814	-	-	-	5,125,814
Pupil transportation	24,199,725	-	-	-	24,199,725
Operations and maintenance	38,787,776	-	-	-	38,787,776
School facilities services	653,816	-	-	-	653,816
School technology services	11,156,090	-	-	-	11,156,090
Total education	403,585,494	-	3,662	-	403,589,156
Food services	-	11,857,855	-	-	11,857,855
Debt service	2,557,533	-	-	-	2,557,533
Payment to primary government – return of interest income	252,124	-	-	289,783	541,907
Capital outlay	-	-	-	27,076,729	27,076,729
Total expenditures	406,395,151	11,857,855	3,662	27,366,512	445,623,180
Excess (deficiency) of revenues over (under) expenditures	3,525,622	838,554	83,073	(22,160,913)	(17,713,664)
Net change in fund balances	3,525,622	838,554	83,073	(22,160,913)	(17,713,664)
Fund balances at beginning of year	27,780,249	1,138,293	10,670,273	44,293,952	83,882,767
Increase (decrease) in reserve for inventory	(146,778)	39,615	-	-	(107,163)
Fund balances at end of year	$ 31,159,093	2,016,462	10,753,346	22,133,039	66,061,940

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

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

Year Ended June 30, 2011

Adjustments for the statement of activities:		
Net change in fund balance from previous page	$	(17,713,664)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period.		19,011,360
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balances by the cost of the equipment sold.		(30,159)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.		2,149,342
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues.		34,952
Because some sales taxes will not be received for several months after the fiscal year ends, they are not considered "available" revenues and are not reported in the governmental funds.		(107,828)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.		(107,163)
Changes in net OPEB obligations are reported only in the statement of activities		(49,096,923)
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences liabilities incurred exceeded the amount used by $1,039,088, pension contributions made exceeded the liability incurred by $10 and self insurance claims incurred exceeded the amount paid by $80,277.		(1,119,355)
Change in net assets of governmental activities	$	(46,979,438)

Schedule S-3

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2011

		Schools' OPEB Trust Fund	Agency Fund
ASSETS			
Cash and temporary investments	$	-	6,003,684
Investments, at fair value			
Money market trust		8,657,970	-
Total assets	$	8,657,970	6,003,684
LIABILITIES AND NET ASSETS			
Liabilities:			
Due to students	$	-	6,003,684
Total liabilities		-	6,003,684
Net assets:			
Net Assets held in trust for Other Postemployment Benefits		8,657,970	-
Total net assets		8,657,970	-
Total liabilities and net assets	$	8,657,970	6,003,684

Schedule S-3A

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Year Ended June 30, 2011

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

Schedule S-4

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2011

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

Schedule S-5

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schools' Food Services Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2011

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

Schedule S-6

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

School Textbook Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Year Ended June 30, 2011

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

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-7*

Combining Balance Sheet and Statement of Net Assets
Other Component Units
June 30, 2011

		Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS			
Current assets:			
Cash and temporary investments	$	5,136,708	11,718
Inventory of materials and supplies		378,933	-
Receivables, net of allowance for uncollectible amounts		-	1,142
Total current assets		5,515,641	12,860
Total assets	$	5,515,641	12,860
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	$	81,647	6,090
Total current liabilities		81,647	6,090
Noncurrent liabilities:			
Due to primary government		-	944,407
Total noncurrent liabilities		-	944,407
Total liabilities		81,647	950,497
Fund Balance			
Nonspendable:			
Inventory		378,933	-
Committed:			
Biology testing		29,755	-
Future capital improvements		1,000,000	-
Operations		1,093,728	-
Unassigned		2,931,578	-
Net Assets			
Unrestricted		-	(937,637)
Total fund balance and net assets (deficit)		5,433,994	(937,637)
Total liabilities, fund balance, and net assets	$	5,515,641	12,860

Reconciliation to Net Assets:		
Total fund balance	$	5,433,994
Capital assets - net of depreciation		3,120,879
Net Assets	$	8,554,873

CITY OF CHESAPEAKE, VIRGINIA *Schedule S-8*

Statement of Revenues, Expenditures, and Changes in Fund Balance
Chesapeake Mosquito Control Commission
Year Ended June 30, 2011

		Chesapeake Mosquito Control Commission
REVENUES		
Property taxes	$	3,853,230
Investment income		29,078
Other		37,140
Total revenues		3,919,448
EXPENDITURES		
Other salaries and wages		1,850,587
Other fringe benefits		744,959
Other repairs and supplies		623,815
Other postemployement benefits		13,219
Insurance premiums		253,218
Capital outlay		112,158
Other		334,584
Total expenditures		3,932,540
Deficiency of revenues under expenditures		(13,092)
Fund balance - beginning		5,447,086
Fund balance - ending	$	5,433,994

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.

Deficiency of revenues under expenditures	$	(13,092)
Depreciation expense		(247,655)
Loss on disposal		(19,091)
Capital outlay expenditures		112,158
Change in Net Assets	$	(167,680)

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

Statement of Revenues, Expenditures, and Changes in Fund Net Assets (Deficit)
Chesapeake Port Authority
Year Ended June 30, 2011

		Chesapeake Port Authority
OPERATING REVENUE		
Other income	$	38,550
Total operating revenues		38,550
OPERATING EXPENSES		
General and administrative		5,702
Other expenses		33,050
Total operating expenditures		38,752
Operating loss		(202)
NONOPERATING REVENUE		
Appropriations from the City		6,662
Total nonoperating revenues		6,662
Increase in net assets		6,460
Net assets (deficit) - beginning		(944,097)
Net assets (deficit) - ending	$	(937,637)

CITY OF CHESAPEAKE, VIRGINIA

Schedule S-10

Statement of Cash Flows
Chesapeake Port Authority
Year Ended June 30, 2011

		Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash received from customers and users	$	43,498
Payments to suppliers		(38,752)
Net cash provided by operating activities		4,746
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		
Appropriation from City		6,662
Net increase in cash and temporary investments		11,408
Cash and temporary investments beginning of year		310
Cash and temporary investments end of year	$	11,718
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(202)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities increasing (decreasing) cash and temporary investments:		
Accounts receivable		(1,142)
Accounts payable		6,090
Total adjustments		4,948
Net cash used in operating activities	$	4,746

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.

Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Net Assets by Component
Last Ten 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

Table 1

Fiscal Years					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
649,736,620	666,474,648	684,361,590	701,163,988	711,456,653	735,161,026
6,604,716	8,818,429	8,353,966	6,797,052	6,733,774	7,208,270
7,585,894	9,498,240	6,836,388	7,032,992	5,977,598	5,585,278
32,080,786	39,740,870	44,031,261	48,053,608	61,966,212	64,874,383
12,795	12,795	12,795	12,795	12,795	12,795
175,198,047	193,675,640	199,553,990	186,150,360	172,115,671	197,640,231
871,218,858	918,220,622	943,149,990	949,210,795	958,262,703	1,010,481,983
254,349,571	263,256,688	275,037,856	287,074,512	274,620,304	282,334,648
3,260,963	3,053,741	2,919,414	3,110,328	1,421,019	2,969,658
5,532,370	4,987,244	4,995,386	6,095,925	8,400,300	11,051,969
46,287,418	55,711,887	66,957,564	71,224,863	90,743,786	99,837,905
1,619,932	2,492,078	1,956,411	1,161,632	(1,229,016)	(1,185,861)
311,050,254	329,501,638	351,866,631	368,667,260	373,956,393	395,008,319
904,086,191	929,731,336	959,399,446	988,238,500	986,076,957	1,017,495,674
9,865,679	11,872,170	11,273,380	9,907,380	8,154,793	10,177,928
13,118,264	14,485,484	11,831,774	13,128,917	14,377,898	16,637,247
78,368,204	95,452,179	110,988,825	119,278,471	152,709,998	164,712,288
12,795	12,795	12,795	12,795	12,795	12,795
176,817,979	196,167,718	201,510,401	187,311,992	170,886,655	196,454,370
1,182,269,112	1,247,721,682	1,295,016,621	1,317,878,055	1,332,219,096	1,405,490,302
84,249,220	97,490,222	124,861,846	144,813,085	155,905,524	177,640,500
5,669,625	32,955,766	23,851,420	36,422,441	44,293,952	22,133,039
-	-	2,010,154	1,994,027	2,334,502	1,234,356
(13,520,512)	(8,265,134)	(52,681,911)	(91,627,322)	(143,537,497)	(189,089,275)
76,398,333	122,180,854	98,041,509	91,602,231	58,996,481	11,918,620

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Ten 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

Fiscal Years						
2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
12,691,638	11,164,814	11,622,631	11,413,581	15,214,785	14,634,265	15,176,526
5,140,050	5,975,514	6,128,427	6,025,679	5,749,819	6,066,443	7,170,555
1,379,049	1,331,973	1,285,196	1,460,197	1,661,573	2,533,979	1,819,486
174,071	74,469	74,480	79,588	1,040,947	1,058,795	1,203,236
2,121,147	2,635,982	2,715,215	3,466,956	3,240,175	3,758,146	3,907,048
77,669,726	90,120,716	91,298,815	99,583,775	94,712,370	93,882,445	112,543,495
35,617,170	27,830,644	13,814,033	11,219,370	21,872,574	10,319,478	2,840,507
134,792,851	139,134,112	126,938,797	133,249,146	143,492,243	132,253,551	144,660,853
39,725,069	42,572,239	47,743,685	52,591,554	56,097,409	55,733,051	66,688,401
6,911,794	7,074,711	7,375,691	7,217,160	6,910,173	7,097,481	8,151,134
4,600,299	4,713,008	6,645,062	10,580,469	13,036,755	14,194,442	14,767,660
138,998	128,933	120,954	108,187	-	-	-
1,649,017	1,538,705	1,591,275	1,501,230	527,523	-	-
630,819	694,222	711,779	716,131	-	-	-
1,248,956	1,858,181	2,878,949	2,591,258	1,871,101	1,145,292	1,185,967
8,134,879	10,928,051	13,419,662	15,845,647	10,661,753	3,597,675	3,102,397
63,039,831	69,508,050	80,487,057	91,151,636	89,104,714	81,767,941	93,895,559
197,832,682	208,642,162	207,425,854	224,400,782	232,596,957	214,021,492	238,556,412
7,287,354	7,870,493	8,398,845	8,227,885	7,426,524	7,245,368	7,243,389
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	38,550
278,615	361,632	371,644	391,022	394,838	431,858	435,781
-	-	-	64,151	78,675	88,050	96,100
67,183,629	76,851,214	86,696,917	87,790,467	85,261,245	89,515,940	100,528,447
2,181,385	1,343,384	1,922,839	1,907,684	1,895,524	955,420	1,125,139
76,930,983	86,426,723	97,390,245	98,381,209	95,056,806	98,236,636	109,467,406
274,763,665	295,068,885	304,816,099	322,781,991	327,653,763	312,258,128	348,023,818
102,155,781	101,278,295	117,954,878	135,964,547	143,489,932	143,639,154	138,721,838
71,944,068	77,947,397	82,617,025	93,861,996	91,889,008	87,113,239	90,494,294
40,171,186	40,314,100	44,270,405	52,669,486	47,649,415	48,092,037	40,170,140
4,040,492	6,417,776	6,747,501	7,553,891	9,066,099	7,795,681	8,344,251
37,546,666	38,702,645	40,178,450	43,104,880	44,005,141	42,497,064	44,417,008
143,874,317	157,328,449	209,181,274	212,504,699	226,520,024	213,633,155	179,064,673
19,215,361	19,785,611	20,504,113	20,048,717	18,948,390	19,234,044	19,801,226
21,051,803	21,445,311	22,485,199	22,321,802	22,760,633	22,734,730	21,783,568
439,999,674	463,219,584	543,938,845	588,030,018	604,328,642	584,739,104	542,796,998

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Ten 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**	**2009**	**2010**	**2011**
39,964,142	41,565,116	45,326,237	49,066,651	51,901,055	53,143,253	54,051,300
8,822,878	9,353,137	10,069,048	9,353,126	9,945,582	11,183,690	9,728,730
3,578,748	3,244,651	3,504,445	6,200,482	7,140,754	8,838,137	8,903,174
103,767	110,101	108,625	114,018	-	-	-
1,111,030	1,082,663	1,149,121	1,368,308	2,074,693	181,365	-
629,371	665,589	666,376	681,384	-	-	-
54,209,936	56,021,257	60,823,852	66,783,969	71,062,084	73,346,445	72,683,204
494,209,610	519,240,841	604,762,698	654,813,987	675,390,726	658,085,549	615,480,202
348,832,222	374,191,792	413,008,600	495,669,077	500,750,043	486,073,626	474,747,371
3,606,347	4,137,568	4,558,222	4,595,989	4,833,609	4,717,522	4,087,128
2,760,873	5,105,041	5,120,015	3,529,822	2,380,983	2,232,533	1,521,383
2,000	12,984	14,672	15,404	12,479	8,619	38,752
1,151,836	1,202,651	1,421,866	1,295,891	1,396,948	1,656,760	1,297,329
-	-	-	70,361	107,633	110,503	116,800
356,353,278	384,650,036	424,123,375	505,176,544	509,481,695	494,799,563	481,808,763
(305,206,823)	(324,085,472)	(417,000,048)	(454,780,872)	(460,836,399)	(452,485,553)	(398,136,145)
8,829,895	13,486,793	19,663,205	24,367,667	18,042,630	8,421,496	21,212,355
(296,376,928)	(310,598,679)	(397,336,843)	(430,413,205)	(442,793,769)	(444,064,057)	(376,923,790)
(279,422,295)	(298,223,313)	(326,733,130)	(406,795,335)	(414,424,889)	(396,562,927)	(372,341,357)
224,842,486	260,070,410	290,780,794	306,455,101	308,040,890	307,213,245	298,873,974
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
31,989,281	34,355,722	35,952,042	35,091,242	32,772,077	31,888,444	32,065,910
21,461,924	23,853,491	24,170,737	24,381,697	23,960,628	22,022,114	23,030,916
20,087,144	20,203,462	21,166,147	23,556,638	10,016,340	10,115,683	10,312,035
38,078,922	41,289,606	41,880,370	41,183,079	47,569,929	48,297,304	49,341,676
31,790,594	33,769,560	32,178,481	31,527,350	31,439,703	31,520,409	31,510,142
3,132,655	8,312,030	13,435,389	11,268,317	7,444,350	3,881,599	2,281,828
990,374	3,906,011	3,101,211	4,103,726	3,516,856	3,465,033	2,778,515
-	-	-	-	-	-	-
849,137	489,971	1,336,063	2,143,668	370,150	3,133,630	160,429
373,222,517	426,250,263	464,001,234	479,710,818	465,130,923	461,537,461	450,355,425
185,162	112,432	124,242	140,994	64,430	1,269	-
(849,137)	(489,971)	(1,336,063)	(2,143,668)	(370,150)	(3,133,630)	(160,429)
(663,975)	(377,539)	(1,211,821)	(2,002,674)	(305,720)	(3,132,361)	(160,429)
372,558,542	425,872,724	462,789,413	477,708,144	464,825,203	458,405,100	450,194,996

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Assets
Last Ten 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
Total component units net change in net assets	$ 12,705,563	6,596,472	1,311,417

[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**	**2009**	**2010**	**2011**
136,398,571	150,652,116	202,519,335	204,566,937	218,635,536	205,717,540	171,309,720
145,451,853	149,142,199	166,996,775	170,014,139	183,774,094	155,771,193	152,297,184
73,136	1,204,100	2,410,518	4,065,837	1,764,666	1,105,263	591,149
651,726	936,605	589,023	2,747,274	3,811,315	1,363,181	1,065,443
-	-	-	-	-	-	-
282,575,286	301,935,020	372,515,651	381,394,187	407,985,611	363,957,177	325,263,496
68,015,694	102,164,791	47,001,186	24,929,946	4,294,524	9,051,908	52,219,280
8,165,920	13,109,254	18,451,384	22,364,993	17,736,910	5,289,135	21,051,926
76,181,614	115,274,045	65,452,570	47,294,939	22,031,434	14,341,043	73,271,206
3,152,991	3,711,707	45,782,521	(25,401,148)	(6,439,278)	(32,605,750)	(47,077,861)

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Chesapeake
VIRGINIA

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

Table 3

	Fiscal Years				
	2002	**2003**	**2004**	**2005**	**2006**
General Fund					
Reserved:					
Expendable	$ 6,426,892	5,233,480	7,540,096	11,689,066	19,163,556
Unreserved:					
Designated for cash flow emergencies	20,571,440	22,079,730	24,111,563	25,590,428	28,188,802
Designated for operating emergencies	16,505,980	16,505,980	16,785,980	17,355,561	23,490,669
Designated - General Fund	3,988,991	1,520,106	834,642	1,772,905	2,073,599
Undesignated	10,470,970	17,105,425	22,218,033	44,393,697	77,023,045
Total general fund	57,964,273	62,444,721	71,490,314	100,801,657	149,939,671
All Other Governmental Funds [1]					
Reserved:					
Expendable	22,279,871	20,963,764	36,369,243	79,765,826	66,586,197
Nonexpendable	12,795	12,795	12,795	12,795	12,795
Unreserved:					
Designated for debt service	21,793,882	22,072,376	22,098,361	22,935,812	27,015,545
Designated for construction projects	25,741,923	38,131,214	18,756,584	-	-
Designated - Special Revenue Funds	47	225,097	6,687,149	62,553	51,796
Undesignated - Capital Projects Fund	5,679,332	-	-	(10,387,836)	8,110,323
Undesignated - Special Revenue Funds	-	7,529,476	9,205,815	12,823,816	16,361,382
Undesignated - Permanent Funds	-	-	137,962	141,235	146,589
Total all other governmental funds	75,507,850	88,934,722	93,267,909	105,354,201	118,284,627
Total Governmental Funds	$ 133,472,123	151,379,443	164,758,223	206,155,858	268,224,298

	Fiscal Years				
	2007	**2008**	**2009**	**2010**	**2011**
General Fund					
Nonspendable	-	-	-	-	1,215,836
Restricted for cash flow emergencies	-	-	-	-	30,710,709
Restricted other	-	-	-	-	3,758,367
Committed for operating emegencies	-	-	-	-	25,592,084
Committed for emergency event response and recovery	-	-	-	-	20,000,000
Committed other	-	-	-	-	28,300,785
Assigned	-	-	-	-	9,217,166
Unassigned	-	-	-	-	19,406,510
Reserved:					
Expendable	$ 43,175,202	31,281,093	33,004,234	25,528,781	-
Unreserved:					
Designated for cash flow emergencies	31,444,789	33,669,622	34,270,058	32,100,281	-
Designated for operating emergencies	26,203,990	28,058,018	28,558,382	26,783,568	-
Designated - General Fund	1,780,871	5,204,852	2,368,429	3,900,779	-
Undesignated	45,750,452	31,569,781	35,792,674	41,699,790	-
Total general fund	148,355,304	129,783,366	133,993,777	130,013,199	138,201,457
All Other Governmental Funds [1]					
Nonspendable	-	-	-	-	232,310
Restricted	-	-	-	-	43,324,930
Committed	-	-	-	-	37,283,577
Assigned	-	-	-	-	131,466,032
Unassigned	-	-	-	-	(30,855)
Reserved:					
Expendable	43,720,331	38,004,007	20,143,495	48,617,453	-
Nonexpendable	12,795	12,795	12,795	12,795	-
Unreserved:					
Designated for debt service	35,722,093	35,555,537	36,159,745	38,282,537	-
Designated for construction projects	-	-	-	-	-
Designated - Special Revenue Funds	51,749	851,749	1,540,435	3,100,225	-
Undesignated - Capital Projects Fund	32,148,580	44,612,739	79,240,620	26,962,867	-
Undesignated - Special Revenue Funds	26,987,225	34,948,104	42,318,106	58,467,663	-
Undesignated - Permanent Funds	154,274	162,274	167,099	171,038	-
Total all other governmental funds	138,797,047	154,147,205	179,582,295	175,614,578	212,275,994
Total Governmental Funds	$ 287,152,351	283,930,571	313,576,072	305,627,777	350,477,451

[1] Total Governmental Funds Expendable minus General Fund expendable.

CITY OF CHESAPEAKE, VIRGINIA

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

		2002	2003	2004	2005
REVENUES					
General property taxes	$	173,500,445	187,609,314	203,503,495	224,815,562
Other local taxes		86,212,403	94,654,205	102,890,839	111,617,271
Licenses, permits, and fees		1,897,261	1,969,790	2,495,770	2,900,145
Fines and forfeitures		2,154,515	2,416,446	2,440,972	2,929,501
Investment income		4,249,510	2,150,796	1,363,374	3,361,642
Revenues from use of property		363,907	340,415	428,172	402,355
Charges for services		10,580,604	11,361,018	12,026,360	12,586,752
Miscellaneous local revenues		1,082,857	342,431	394,904	701,593
Recovered costs		4,851,799	4,412,312	4,087,899	3,522,595
Program income		716,253	407,175	284,699	172,643
Revenues from local developers		899,776	636,732	1,011,455	1,737,131
Intergovernmental revenues:					
Commonwealth of Virginia		81,956,131	83,417,285	89,547,556	91,882,899
Federal government		13,735,228	15,930,534	29,013,323	17,469,444
Federal government - American Reinvestment and Recovery Act		-	-	-	-
Mosquito Control Commission		-	-	-	-
Chesapeake Public Schools		1,497,066	920,741	1,318,184	2,252,275
Other localities		-	-	-	-
Total revenues	$	383,697,755	406,569,194	450,807,002	476,351,808
EXPENDITURES					
Current:					
General government	$	79,542,562	79,234,484	105,434,018	96,583,251
Public safety		63,579,124	64,901,277	65,491,774	70,474,672
Public works		39,440,560	38,551,088	38,461,949	41,022,326
Parks		8,539,053	7,932,242	8,741,202	3,932,120
Public welfare		34,694,601	32,916,436	33,987,999	37,357,981
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.					
Education - Payments to Public Schools		121,225,833	127,635,002	127,774,672	137,190,122
Capital outlay		19,350,133	13,885,628	15,599,421	34,960,257
Debt service:					
Principal		24,435,865	22,935,196	25,577,280	26,854,851
Interest		23,074,156	22,431,441	21,393,424	19,760,635
Total expenditures		413,881,887	410,422,794	442,461,739	468,136,215
Excess (deficiency) of revenues over (under) expenditures	$	(30,184,132)	(3,853,600)	8,345,263	8,215,593

Table 4

Fiscal Years					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
254,570,961	287,428,178	303,752,471	305,829,730	304,947,151	296,632,594
115,380,212	117,811,881	118,584,264	114,318,974	112,323,545	114,750,537
7,422,144	8,267,568	8,320,450	7,803,173	7,575,603	7,972,072
3,587,702	3,284,658	3,571,138	2,335,259	2,028,178	2,261,473
7,628,030	12,277,373	10,159,705	6,904,289	3,591,409	2,050,170
692,489	752,247	821,971	848,257	804,015	778,597
13,094,005	14,430,213	15,356,589	16,237,073	18,153,264	18,828,633
1,181,755	2,111,967	2,579,045	4,352,154	3,173,343	1,794,641
3,039,786	2,235,212	2,452,331	2,548,192	2,272,195	1,809,704
179,969	196,657	140,431	277,191	206,739	124,629
2,360,155	1,539,730	1,088,464	705,995	831,779	412,363
99,075,408	101,746,899	106,204,101	101,886,059	95,205,573	103,376,371
19,257,416	16,213,096	19,646,487	17,117,982	19,485,307	31,301,818
-	-	-	3,188,902	9,012,210	7,508,761
300,000	300,000	300,000	-	-	-
3,461,393	3,050,079	4,456,580	2,229,109	960,855	541,907
-	-	-	-	-	-
531,231,425	571,645,758	597,434,027	586,582,339	580,571,166	590,144,270
99,715,504	104,994,583	114,701,994	118,517,768	117,475,619	115,688,136
76,643,995	83,176,840	91,538,720	88,970,424	87,356,259	89,830,242
42,423,515	47,655,696	52,950,476	52,872,322	54,166,903	48,602,743
6,373,828	6,910,347	7,827,906	8,889,221	8,364,559	8,397,383
37,860,700	39,744,863	41,520,684	43,289,297	42,255,922	44,026,969
		1,040,243	50,282	53,368	43,133
150,652,116	202,519,335	204,566,937	218,635,536	205,717,540	171,309,720
51,450,380	44,627,098	37,665,536	32,194,102	42,246,435	56,570,778
29,135,993	30,420,147	33,226,719	35,766,343	37,413,352	27,821,247
19,369,437	21,508,440	20,321,152	19,497,740	17,129,985	29,811,366
513,625,468	581,557,349	605,360,367	618,683,035	612,179,942	592,101,717
17,605,957	(9,911,591)	(7,926,340)	(32,100,696)	(31,608,776)	(1,957,447)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

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

		2002	2003	2004	2005
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	$	63,756,863	61,746,888	65,857,985	68,380,647
Proceeds from equipment capital leases		9,104,490	-	-	-
Lease revenue bond issued		-	-	4,940,000	-
Section 108 loan funds		-	-	720,000	-
General obligation bonds issued		60,771,601	102,825,000	-	13,815,000
General obligation refunding bonds issued		-	-	62,920,000	-
Transfers to other funds		(64,551,515)	(61,580,997)	(66,899,055)	(68,917,222)
Payment to refunded bond escrow agent		(54,308,889)	(89,449,965)	(70,300,043)	(913,530)
Premiums on general obligation bonds issued		3,535,946	8,219,994	-	394,743
Premiums on refunding bonds issued		-	-	7,794,630	-
VPSA bond proceeds		-	-	-	19,275,000
Premiums on VPSA bonds		-	-	-	1,147,404
Total other financing sources (uses)		18,308,496	21,760,920	5,033,517	33,182,042
Net change in fund balances	$	(11,875,636)	17,907,320	13,378,780	41,397,635
Debt service as a percentage of noncapital expenditures[1]		12.04%	11.44%	11.00%	10.76%

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

Table 4, Continued

Fiscal Years					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
70,582,784	110,177,288	112,215,093	105,080,053	113,218,228	109,787,305
531,918	-	-	-	4,490,443	-
-	-	-	-	-	-
-	-	-	-	-	-
15,865,000	-	-	23,015,000	2,555,000	52,845,000
-	-	-	17,255,000	-	-
(70,584,457)	(110,345,316)	(117,513,581)	(105,121,391)	(109,862,086)	(116,595,421)
-	-	-	(17,774,815)	-	-
59,276	-	-	732,755	-	770,237
-	-	-	-	-	-
26,935,000	28,080,000	9,490,000	34,285,000	12,280,000	-
1,072,963	927,672	513,048	2,715,026	978,896	-
44,462,484	28,839,644	4,704,560	60,186,628	23,660,481	46,807,121
62,068,441	18,928,053	(3,221,780)	28,085,932	(7,948,295)	44,849,674
10.50%	9.67%	9.43%	9.42%	9.57%	10.76%

CITY OF CHESAPEAKE, VIRGINIA ***Table 5***

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

	Fiscal Years				
	2002	**2003**	**2004**	**2005**	**2006**
Real Property Assessed Value[1]	$ 11,262,033,169	12,119,195,740	13,248,747,216	14,713,238,641	17,451,186,558
Real Property Estimated Actual Value[1]	11,262,033,169	12,119,195,740	13,248,747,216	14,713,238,641	17,451,186,558
Personal Property Assessed Value[1]	1,327,827,157	1,374,652,783	1,426,488,475	1,583,230,288	1,685,278,225
Personal Property Estimated Actual Value[1]	1,327,827,157	1,374,652,783	1,426,488,475	1,583,230,288	1,685,278,225
Total Assessed Value	12,589,860,326	13,493,848,523	14,675,235,691	16,296,468,929	19,136,464,783
Total Direct Tax Rate[2]	1.55	1.54	1.54	1.53	1.46
Estimated Actual Value	12,589,860,326	13,493,848,523	14,675,235,691	16,296,468,929	19,136,464,783
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2007	**2008**	**2009**	**2010**	**2011**
Real Property Assessed Value[1]	$ 22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672
Real Property Estimated Actual Value[1]	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672
Personal Property Assessed Value[1]	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740
Personal Property Estimated Actual Value[1]	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740
Total Assessed Value	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412
Total Direct Tax Rate[2]	1.30	1.24	1.22	1.23	1.24
Estimated Actual Value	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412
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 Revenue

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

CITY OF CHESAPEAKE, VIRGINIA ***Table 6***

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

	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real Estate [1, 2]	$ 1.26	1.26	1.26	1.26	1.21	1.09	1.04	1.04	1.04	1.04
Motor Vehicles	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles [4]	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Handicap Vehicles	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Boats [5]	1.50	1.50	1.50	1.50	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property [4]	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes [6]	1.26	1.26	1.26	1.26	1.21	1.09	1.04	1.04	1.04	1.04
Machinery & Tools [4]	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm [4]	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes [4]	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate [7]	1.55	1.54	1.54	1.53	1.46	1.30	1.24	1.22	1.23	1.24

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

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

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

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

[5] The general tax rate on boat assessments was reduced to $.01 per $100 effective January 1, 2006.

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

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

Source: City of Chesapeake, Ordinances

CITY OF CHESAPEAKE, VIRGINIA ***Table 7***

Principal Property Taxpayers
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2011 Real Property Assessed Value	Fiscal Year 2011 Percent of Total Assessed Value	Fiscal Year 2002 Real Property Assessed Value	Fiscal Year 2002 Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	$ 707,572,989	2.91%	$ 447,062,401	3.97%
Liberty Property LTD	Shopping Center & Office Bldg	113,180,600	0.46%	-	-
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	98,734,400	0.41%	98,676,300	0.88%
Chesapeake Mall LLC	Shopping Mall	72,824,500	0.30%	79,296,100	0.70%
CP Venture Two LLC	Shopping Mall, Bank, Restaurant	53,854,900	0.22%	56,903,600	0.51%
Wal-Mart Stores East LP	Retail	53,707,600	0.22%	26,888,000	0.24%
Comm 2006-C8 Coveside Lane LLC	Apartment Complex	53,503,000	0.22%	-	-
Woodlake Co Limited Partnership	Apartment Complex	48,164,500	0.20%	32,138,000	0.29%
352 LLC	Apartment Complex	42,790,800	0.18%	-	-
JLP Chesapeake LLC	Retail	40,750,800	0.17%	-	-
Crossways Associates LLC	Office Buildings	38,948,700	0.16%	29,515,500	0.26%
Dollar Tree Distribution Inc	Distribution Center	-	-	24,847,700	0.22%
Chesapeake Center Associates	Shopping Center	-	-	18,391,500	0.16%
Mitsubishi Kasei America Inc	Manufacturing	-	-	25,810,000	0.23%
Total Top Ten Principal Taxpayers [1]		$ 1,324,032,789	5.44%	$ $839,529,101	7.45%
Total Assessed Valuation [2]		$ 24,341,395,672		$ 11,262,033,169	

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				
	2002	2003	2004	2005	2006
Real Property [1]	$ 134,698,510	145,107,682	158,879,070	177,090,767	204,335,250
Motor Vehicles	40,945,175	42,472,194	43,910,119	49,151,769	53,519,922
Motor Carriers	252,341	298,298	277,821	394,098	400,580
Recreation Vehicles	227,750	259,567	283,302	335,302	380,969
Boats [2]	315,873	332,763	337,128	374,285	-
Business	7,756,524	7,948,489	8,243,408	8,789,092	9,216,386
Motor Homes	159,110	172,051	174,286	184,361	181,302
Machinery & Tools	2,371,407	2,399,467	2,608,522	2,699,724	2,835,759
Farm	100,679	104,042	109,295	111,666	76,574
Airplanes	19,458	15,919	19,651	31,450	35,978

	Fiscal Years				
	2007	2008	2009	2010	2011
Real Property [1]	$ 235,211,107	252,360,481	258,241,894	256,686,437	244,714,892
Motor Vehicles	54,529,778	56,812,984	50,011,773	52,583,399	54,526,861
Motor Carriers	532,659	597,997	677,954	783,122	772,340
Recreation Vehicles	405,623	448,615	403,302	398,344	435,204
Boats [2]	16	-	18,733	18,376	15,348
Business	9,766,342	10,339,218	10,665,984	10,907,821	11,110,574
Motor Homes	173,849	167,164	163,960	161,994	158,567
Machinery & Tools	3,006,118	2,481,580	2,673,382	2,467,120	2,656,780
Farm	120,436	122,233	124,263	122,016	124,308
Airplanes	37,310	38,278	40,165	52,265	49,359

[1] Public service corporation property is not included
[2] Beginning January 1, 2006 the general tax rate on boat assessment was reduced to $.01 per $100

Source: City of Chesapeake Commissioner of the Revenue

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA ***Table 9***

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

Fiscal Years	Total Tax Levy	Current Tax Collections [1, 2, 3]	Percent of Levy Collected	Delinquent Tax Collections [1,5]	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes [4]	Ratio of Delinquent Taxes to Total Tax Levy
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	320,625,461	96.21%	15,321,936	335,947,397	100.80%	21,971,429	6.59%
2009	333,315,537	321,158,867	96.35%	14,517,602	335,676,469	100.71%	22,860,659	6.86%
2010	335,044,180	322,313,673	96.20%	12,714,138	335,027,811	100.00%	24,859,666	7.42%
2011	325,454,706	293,876,393	90.30%	14,072,588	307,948,981	94.62%	28,235,149	8.68%

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

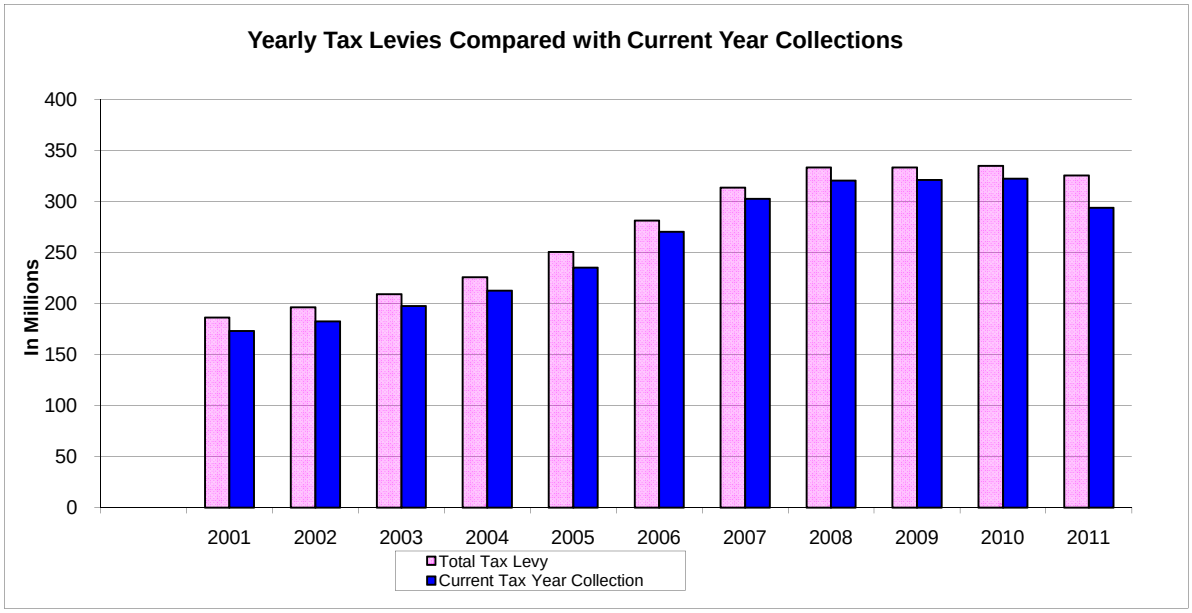
[2] Effective 1999, collections include amount reimbursed by the State for Personal Property Tax under the Personal Property Tax Relief Act (PPTRA) of 1998.

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

[4] Tax receivables as of June 30 less allowance for uncollectible amounts.

[5] Delinquent tax detail is not presently available to allocate collections to the year of the origination of the levy.

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

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

		2002	2003	2004	2005
General Obligation Bonds	$	373,538,133	375,081,773	355,039,000	363,966,570
School Literary Loans		7,475,327	6,825,834	6,276,341	5,726,848
Certificates of Participation		7,630,000	5,870,000	4,015,000	2,060,000
Installment Purchase Agreement		-	-	-	-
Section 108 Loans		2,225,000	2,010,000	2,500,000	2,255,000
Supplemental Payments Agreement		28,580,000	27,720,000	26,820,000	25,870,000
Capital Leases to Component Units		42,780,000	40,510,000	38,125,000	34,335,000
Capital Leases		14,360,942	13,185,845	14,165,348	12,112,890
Notes Payable		2,011,526	193,065	121,849	48,578
Total Governmental Activities[1]	$	478,600,928	471,396,517	447,062,538	446,374,886

		2002	2003	2004	2005
General Obligation Bonds[2]	$	76,426,363	138,200,117	133,117,323	135,351,558
Utility Notes Payable		3,449	808,075	690,000	575,000
Capital Leases		-	-	-	-
Revenue Bonds		40,280,000	29,395,000	29,120,000	21,630,000
Due to the Commonwealth of Virginia		71,281,187	70,447,794	69,964,516	71,958,461
Total Business-Type Activities		187,990,999	238,850,986	232,891,839	229,515,019
Total Primary Government	$	666,591,927	710,247,503	679,954,377	675,889,905
Percent of Personal Income[3]		10.91%	10.88%	9.86%	9.30%
All Debt Per Capita[3, 4]		3,257	3,406	3,188	3,120

[1] Represents net direct debt.

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

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

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

n/a = not yet available.

Table 10

Governmental Activities					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
381,132,435	380,587,671	359,916,595	384,059,484	365,656,124	384,298,550
5,177,355	4,627,862	4,078,369	3,528,876	2,979,383	2,429,890
-	-	-	-	-	-
-	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
1,995,000	1,715,000	1,415,000	1,095,000	755,000	390,000
24,205,000	23,160,000	22,065,000	20,925,000	19,735,000	18,495,000
31,750,000	28,915,000	25,960,000	22,875,000	19,650,000	16,245,000
12,170,380	12,590,549	8,903,865	5,173,336	7,065,815	4,572,549
-	-	-	-	-	-
456,430,170	452,938,366	423,681,113	438,998,980	417,183,606	427,773,273

Business-Type Activities					
2006	**2007**	**2008**	**2009**	**2010**	**2011**
130,434,187	125,473,614	120,754,717	115,935,563	111,340,000	104,410,000
460,000	345,000	230,000	115,000	-	-
-	-	-	-	-	-
21,630,000	21,630,000	21,245,000	20,835,000	56,790,000	56,335,000
71,078,118	68,520,358	68,163,966	67,321,762	65,828,257	66,265,372
223,602,305	215,968,972	210,393,683	204,207,325	233,958,257	227,010,372
680,032,475	668,907,338	634,074,796	643,206,305	651,141,863	654,783,645
8.77%	8.26%	7.20%	7.23%	n/a	n/a
3,110	3,023	2,834	2,855	2,869	2,928

CITY OF CHESAPEAKE, VIRGINIA ***Table 11***

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

	General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property[1]	Per Capita[2]
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	1,342,284	386,557,817	1.62%	1,741
2008	359,916,595	4,078,369	1,342,284	365,337,248	1.38%	1,627
2009	384,059,484	3,528,876	1,342,284	388,930,644	1.43%	1,721
2010	365,656,124	2,979,383	1,342,284	369,977,791	1.36%	1,624
2011	384,298,550	2,429,890	1,342,284	388,070,724	1.49%	1,735

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

[2] Refer to Table 18 Demographic and Economic Statistics for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

Debt Affordability Indicators
Last Ten Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed $3,000 [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
2002	$ 478,600,928	$ 11,262,033,169	4.25%	204,652	$ 2,339
2003	471,396,517	12,119,195,740	3.89%	208,533	2,261
2004	447,062,538	13,248,747,216	3.37%	213,303	2,096
2005	446,374,886	14,713,238,641	3.03%	216,644	2,060
2006	456,430,170	17,451,186,558	2.62%	218,638	2,088
2007	452,938,366	22,067,528,772	2.05%	221,282	2,047
2008	423,681,113	24,740,116,412	1.71%	223,743	1,894
2009	438,998,980	25,573,792,526	1.72%	225,255	1,949
2010	417,183,606	25,479,133,480	1.64%	226,995	1,838
2011	427,773,273	24,341,395,672	1.76%	223,647	1,913

[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 (2002 - 2006 as of April 2010) and City of Chesapeake Planning Board estimates (2007 - 2011).

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 Expenditures[1]	Bonded Debt Expenditures[2]	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
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%
2009	813,688,744	51,587,721	6.34%
2010	788,313,157	51,373,945	6.52%
2011	786,367,294	53,671,048	6.83%

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

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

CITY OF CHESAPEAKE, VIRGINIA ***Table 14***

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

Fiscal Year	Local Revenues [1]	Bonded Debt Expenditures [2]	Ratio of Bonded Debt Expenditures To Local Revenues
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%
2009	539,694,349	64,080,911	11.87%
2010	530,717,664	63,449,882	11.96%
2011	548,808,465	90,250,204	16.44%

[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. 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, 2011 - Unaudited

Jurisdiction	Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	$ 427,773,273	100.0%	$ 427,773,273
Overlapping:			
None	-	0.0%	-
TOTAL	$ 427,773,273	100.0%	$ 427,773,273

CITY OF CHESAPEAKE, VIRGINIA ***Table 16***

Legal Debt Margin Information
Last Ten Fiscal Years - Unaudited

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
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%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%

[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.

CITY OF CHESAPEAKE, VIRGINIA ***Table 17***

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

Water and Sewer Systems

Fiscal Year	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS [3] Principal	Interest	Total	Coverage [4]
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
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76
2011	62,490,959	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60

Chesapeake Expressway [5]

Fiscal Year	Gross Revenue	Operating Expenses [2]	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS Principal	Interest	Total	Coverage [6]
2002	$ 5,869,474	1,995,368	3,874,106	-	1,216,688	1,216,688	3.18
2003	6,249,849	2,362,723	3,887,126	-	1,216,688	1,216,688	3.19
2004	6,678,718	2,173,814	4,504,904	-	1,216,688	1,216,688	3.70
2005	6,911,794	2,204,682	4,707,112	-	1,216,688	1,216,688	3.87
2006	7,074,711	2,480,948	4,593,763	-	1,216,688	1,216,688	3.78
2007	7,375,691	2,520,958	4,854,733	-	1,216,688	1,216,688	3.99
2008	7,217,160	2,607,820	4,609,340	385,000	1,205,859	1,590,859	2.90
2009	6,910,173	2,965,959	3,944,214	410,000	1,183,500	1,593,500	2.48
2010	7,097,481	2,803,534	4,293,947	430,000	1,159,875	1,589,875	2.70
2011	8,131,491	2,880,655	5,250,836	455,000	1,134,984	1,589,984	3.30

[1] Gross revenues are defined as exclusive of interest and less fifty percent (50%) of connection fees for the Water and Sewer System under the 1987 bond resolution for all revenue bonds issued prior to fiscal year 2010. In fiscal year 2010 and in subsequent fiscal years, under the Master Agreement of Trust (MAT), the definition of revenues for the Water and Sewer System includes interest, 100% of connection fees, and the Build America Bonds subsidy reimbursement. Capital grants and revenues of $5.2 million transferred to the rate stabilization fund in fiscal year 2011 have been excluded from the calculation.

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

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

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

[5] The Chesapeake Expressway opened on May 31, 2001.

[6] Net toll revenues shall be at least 1.25 times aggregate debt service on outstanding senior bonds for each such fiscal year.

CITY OF CHESAPEAKE, VIRGINIA ***Table 18***

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population [1]	Personal Income [2] (in thousands)	Per Capita Income [3]	School Enrollment [4]	Chesapeake Unemployment Rate [5]	Virginia Unemployment Rate [5]
2002	204,652	6,107,527	29,855	38,010	3.5%	4.0%
2003	208,533	6,528,754	31,324	38,862	3.8%	4.2%
2004	213,303	6,896,084	32,350	39,440	3.7%	3.9%
2005	216,644	7,266,605	33,567	40,005	3.7%	3.6%
2006	218,638	7,753,052	35,504	40,121	3.2%	3.2%
2007	221,282	8,102,202	37,025	39,465	3.1%	2.9%
2008	223,743	8,810,046	39,988	39,026	3.3%	3.3%
2009	225,255	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	n/a	n/a	38,864	6.8%	7.0%
2011	223,647	n/a	n/a	38,668	6.6%	6.5%

n/a - Information not yet available

Sources:

[1] Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2002 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2011). For fiscal year 2011 the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts will now become the basis for future population estimates generated by the Planning Department during this decade.

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

[3] Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of April 2010)

[4] Chesapeake Public Schools

[5] U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through July 2010)

CITY OF CHESAPEAKE, VIRGINIA ***Table 19***

Principal Employers
Current Year and Nine Years Ago - unaudited

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

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

n/a - not available

[1] Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

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

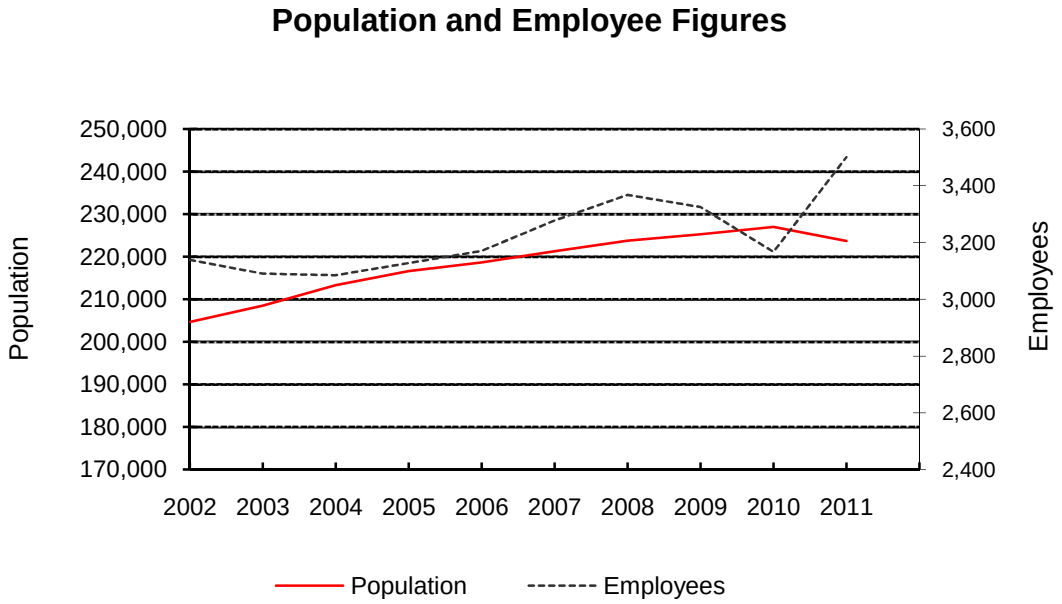
[3] Source is Budget Department

CITY OF CHESAPEAKE, VIRGINIA ***Table 20***

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population [1]	Total Employees	Employees Per 1,000 Population
2002	204,652	3,139	15.3
2003	208,533	3,090	14.8
2004	213,303	3,085	14.5
2005	216,644	3,128	14.4
2006	218,638	3,170	14.5
2007	221,282	3,277	14.8
2008	223,743	3,368	15.1
2009	225,255	3,325	14.8
2010	226,995	3,167	14.0
2011	223,647	3,501	15.7

Sources: [1] Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2001 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2010)



Note: With the implementation of the city's new payroll system during fiscal year 2011, data is now available to convert part-time employees to full-time equivalent employees. These numbers are included for fiscal year 2011 and will be in future years.

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA ***Table 21***

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

	Fiscal Years									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Function/Program										
General Government										
Management Services					40	41	43	43	38	42
Economic Development					71	74	74	73	60	49
Finance					24	25	26	25	22	24
Information Technology					54	55	57	54	52	58
Human Resources					17	20	20	21	21	20
Budget					7	7	7	7	6	7
Agriculture					8	8	8	7	5	7
Programs & Permits					7	4	7	6	28	73
Other					244	257	248	242	221	347
Police					507	498	546	520	510	543
Sheriff					346	389	396	403	393	407
Fire					418	452	426	432	415	428
Community Services					158	159	172	167	166	207
Bureau of Community Programs					57	59	58	58	60	24
Public Works					425	438	445	424	377	449
Parks and Recreation					77	81	84	89	81	177
Library					80	85	84	84	79	118
Public Utilities					195	184	194	198	184	208
General Services [1]					66	71	70	70	66	0
Justice					53	63	94	86	76	84
Health and Human Services					316	307	309	316	307	229
Total	3,139	3,090	3,085	3,128	3,170	3,277	3,368	3,325	3,167	3,501

Source: Personnel Summary provided by Budget Department

[1] Department of General Services was absorbed into the Departments of Parks and Recreation, and Public Utilities effective fiscal year 2011.

[2] With the implementation of the City's new payroll system during fiscal year 2011, data is now available to convert part-time employees to full-time equivalent employees. In fiscal year 2011 and in subsequent years, part-time employees full-time equivalent will be included.

Note: Detailed information for 2002 - 2005 is not available

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Function/Program					
General Government					
Building Permits Issued	6,704	6,321	6,519	6,769	6,481
Building Inspections Conducted	16,624	15,616	14,864	16,432	14,600
Electrical Permits Issued	3,960	4,093	4,483	4,996	4,775
Electrical Inspections Performed	11,751	10,688	11,520	13,462	12,260
Plumbing Permits Issued	1,823	1,913	1,925	2,420	2,280
Plumbing Inspections Performed	9,872	8,912	10,946	10,952	9,724
Mechanical/Gas Permits Issued	5,529	6,101	6,120	6,878	6,163
Mechanical/Gas Inspections Performed	12,481	14,020	14,305	17,981	18,447
Code Compliance Inspections	15,317	15,992	13,339	14,013	20,270
Police					
Calls for Police Service	155,059	156,002	151,753	135,054	131,669
Part I Law Violations	9,239	10,125	8,432	9,236	9,183
Adult Criminal Charges	15,227	14,879	14,829	12,890	10,248
Total Criminal Arrests	n/a	n/a	n/a	10,167	9,229
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	n/a	57,858	63,609
DUI Arrests	728	823	948	1,243	1,159
Fire					
Calls answered for Fire Protection Services	22,875	22,421	23,416	23,460	23,911
Public Works					
Refuse Collected (tons per year)	106,448	108,046	115,592	114,605	118,899
Street Resurfacing (miles)	92.67	67.69	56.57	47.58	44.99
Potholes Repaired	n/a	n/a	n/a	n/a	5,200
Water					
Service Connections	56,176	57,210	58,187	59,008	59,880
Daily Average Consumption in Gallons (in mgd) [1]	15.00	15.00	15.00	16.00	16.53
Daily Average Water Provided by Chesapeake (in mgd)	9.74	8.67	9.15	9.25	9.73
Daily Average Water Purchased from other localities (in mgd)	6.32	6.14	6.37	6.71	6.08
Wastewater					
Service Connections	54,297	55,361	56,340	57,160	58,046
Parks and Recreation					
Youth Athletics - Participants	10,845	10,036	9,414	9,003	8,414
Youth Athletics - Teams	799	772	715	695	648
Youth Athletics - Coaches	1,675	1,481	1,345	1,353	1,359
Adult Athletics - Participants	4,554	3,890	3,544	4,180	4,445
Adult Athletics - Teams	256	219	199	236	235
Special Programs Athletics - Participants	621	491	510	1,065	818
Special Programs Athletics - Programs	10	11	10	11	9
Leisure Classes - Youth Participants	2,224	1,915	2,174	2,104	2,073
Leisure Classes - Adult Participants	1,432	1,085	1,246	1,258	779
Leisure Classes - Community Program Participants [2]	34,005	33,560	44,151	47,268	42,623
Leisure Classes - Special Event Attendance	32,850	28,250	29,200	34,900	34,250
Community Center Attendance[3]	154,995	164,818	n/a	173,191	199,587
Community Center ID Sales	7,937	8,582	n/a	10,147	8,974
Community Center Rentals	2,192	1,848	n/a	1,607	1,769
Library					
Items Checked Out	1,721,960	1,623,957	1,781,996	1,890,069	1,956,559
Interlibrary Loans - Borrowed	797	871	906	910	1,072
Interlibrary Loans - Loans	2,654	2,380	2,452	2,591	2,696
Library Collection	664,330	637,065	646,189	678,422	677,933
Patron Visits	1,162,439	1,160,061	1,125,096	1,349,598	1,589,297
Website Visits	321,000	353,100	n/a	520,208	692,305
Registered Patrons	179,421	195,481	163,089	182,623	188,999
Total Programming	2,154	2,446	2,316	2,418	2,417
Total Programming - Participants	65,645	71,745	67,858	73,708	70,343
Typewriter Use	1,864	1,592	1,443	925	774
Public Computer Use	172,727	191,387	222,471	407,157	517,870
Bookmobile - Patrons [4]	12,293	13,093	15,514	14,597	12,761
Bookmobile - Number of Stops [4]	1,323	1,312	1,453	1,380	1,201
Bookmobile - Miles Driven [4]	6,520	6,609	7,266	7,078	6,364
Schools					
Student Enrollment	38,010	38,862	39,440	40,005	40,121

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

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

[2] Summer Food Service Program was transferred to Schools in FY 09.

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

[4] Beginning in FY 11, Bookmobile services were provided on a more limited basis, primarily to those in need.

CITY OF CHESAPEAKE, VIRGINIA *Table 22*

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Function/Program					
General Government					
Building Permits Issued	5,547	4,843	3,947	3,481	3,973
Building Inspections Conducted	11,022	9,452	7,251	7,417	8,085
Electrical Permits Issued	4,156	3,578	3,028	4,926	3,194
Electrical Inspections Performed	12,636	11,339	8,411	7,857	8,842
Plumbing Permits Issued	1,898	1,738	1,418	1,490	1,530
Plumbing Inspections Performed	8,788	7,441	4,569	5,849	5,639
Mechanical/Gas Permits Issued	5,147	4,655	4,021	4,688	4,390
Mechanical/Gas Inspections Performed	12,769	10,241	7,028	8,339	8,039
Code Compliance Inspections	20,570	25,568	19,899	21,580	17,183
Police					
Calls for Police Service	126,458	159,180	156,618	136,811	120,216
Part I Law Violations	8,005	8,270	8,640	9,338	8,534
Adult Criminal Charges	n/a	n/a	13,807	17,482	16,017
Total Criminal Arrests	9,969	10,575	10,266	10,572	9,495
Total Traffic Charges (moving/ non-moving/excludes DUI)	55,715	31,547	34,841	38,555	38,810
DUI Arrests	925	721	830	735	951
Fire					
Calls answered for Fire Protection Services	24,504	25,152	24,839	25,051	24,916
Public Works					
Refuse Collected (tons per year)	116,794	114,145	110,931	111,348	93,171
Street Resurfacing (miles)	54.58	35.56	36.87	41.99	32.76
Potholes Repaired	3,376	3,047	4,717	7,249	9,980
Water					
Service Connections	60,390	60,923	61,243	61,713	62,029
Daily Average Consumption in Gallons (in mgd) [1]	16.20	16.19	16.96	16.88	17.20
Daily Average Water Provided by Chesapeake (in mgd)	10.67	10.69	11.14	10.66	11.10
Daily Average Water Purchased from other localities (in mgd)	5.46	5.50	5.82	6.22	6.10
Wastewater					
Service Connections	58,579	59,126	59,437	59,909	60,154
Parks and Recreation					
Youth Athletics - Participants	7,793	7,002	6,261	5,819	5,140
Youth Athletics - Teams	601	537	506	481	433
Youth Athletics - Coaches	1,200	1,062	915	834	727
Adult Athletics - Participants	4,064	3,924	4,095	3,999	3,639
Adult Athletics - Teams	228	227	237	228	218
Special Programs Athletics - Participants	627	700	495	480	408
Special Programs Athletics - Programs	10	7	6	3	1
Leisure Classes - Youth Participants	1,908	1,580	2,372	1,901	1,249
Leisure Classes - Adult Participants	769	614	1,301	855	703
Leisure Classes - Community Program Participants [2]	45,247	63,892	3,346	3,386	3,277
Leisure Classes - Special Event Attendance	31,750	26,915	27,775	28,095	34,328
Community Center Attendance[3]	172,544	188,276	189,700	202,884	361,059
Community Center ID Sales	9,528	7,604	8,314	8,086	9,518
Community Center Rentals	1,392	1,157	1,328	1,340	1,637
Library					
Items Checked Out	1,912,077	2,010,415	2,365,984	2,526,633	2,600,964
Interlibrary Loans - Borrowed	974	1,269	1,189	1,151	605
Interlibrary Loans - Loans	2,146	2,467	2,841	2,298	1,350
Library Collection	691,482	699,943	598,224	566,744	575,462
Patron Visits	1,622,831	1,491,973	1,623,514	1,520,528	1,392,890
Website Visits	654,106	779,001	394,623	433,480	433,889
Registered Patrons	207,190	227,348	161,373	139,821	130,989
Total Programming	2,541	2,987	3,205	3,237	3,138
Total Programming - Participants	96,476	78,256	66,313	71,425	64,416
Typewriter Use	471	540	409	641	681
Public Computer Use	600,024	596,540	651,984	682,863	636,072
Bookmobile - Patrons [4]	15,516	16,219	15,348	14,390	6,176
Bookmobile - Number of Stops [4]	1,307	1,331	1,291	1,324	448
Bookmobile - Miles Driven [4]	7,811	8,240	7,415	7,510	2,186
Schools					
Student Enrollment	39,465	39,026	38,868	38,864	38,668

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
Function/Program					
Police					
Stations	5	5	5	5	5
Patrol Units	301	214	231	208	194
Fire Stations	15	15	15	15	15
Public Works					
Refuse Collection					
Collection Trucks	58	58	58	58	58
Other Public Works					
Storm Sewers (miles)	n/a	n/a	n/a	n/a	1,100
Streets (miles)	2,150	2,185	2,222	2,257	2,310
Streetlights	22,423	21,446	21,266	21,745	22,023
Parks and Recreaction					
Park Acreage	1,992	2,042	2,042	2,043	2,066
Parks and Play Areas	63	65	65	67	64
Athletic Fields/Tennis Courts	211	211	211	211	211
Community Centers	7	7	7	7	7
Specialized Centers	4	4	4	4	4
Water					
Water Mains (miles)	749	761	772	786	795
Fire Hydrants	4,268	4,358	4,432	4,522	4,608
Wastewater					
Sanitary Sewers (miles)	950	968	982	1,003	1,019
Sewage Pumping Stations	243	248	248	253	255
Schools					
Elementary Schools	28	28	28	28	28
Secondary Schools	16	16	16	16	16
Educational Centers	3	3	3	3	3

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

Table 23

Fiscal Year				
2007	**2008**	**2009**	**2010**	**2011**
5	5	5	5	5
214	193	194	235	203
15	15	15	15	15
60	61	60	60	52
1,100	1,100	1,100	1,100	1,100
2,314	2,329	2,346	2,354	2,364
22,287	22,634	23,432	23,763	23,874
2,066	2,262	2,262	2,322	2,322
66	67	67	70	70
200	199	203	226	226
8	8	8	8	8
4	4	4	4	5
804	818	824	821	828
4,681	4,823	4,892	4,925	4,993
1,034	1,048	1,053	1,053	1,057
259	262	262	263	264
28	28	28	28	28
16	17	17	17	17
3	3	3	2	3

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Chesapeake
VIRGINIA

COMPLIANCE SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA *Schedule T-1*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2011

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	$ 114,650
Pass-through payments:		
Virginia Department of Social Services		
SNAP (Formerly Food Stamp Program)- American Recovery and Reinvestment Act	10.561	56,605
State Administrative Matching Grants for Food Stamp Program	10.561	2,078,880
Virginia Department of Education		
School Breakfast Program	10.553	1,460,131
National School Lunch Program	10.555	4,672,956
Summer School Service Program For Children	10.559	254,780
Virginia Department of Agriculture and Consumer Services:		
Food Distribution - commodities value - Schools' Food Services	10.555	836,231
Food Distribution - commodities value - Detention Home	10.555	10,695
Virginia Department of Forestry		
Department of Agriculture - Cooperative Forestry Assistance - Urban Forestry Grant	10.664	2,250
Department of Agriculture - Cooperative Forestry Assistance - 10UCF29	10.664	3,548
Department of Agriculture - Chesapeake Tree Planting Teams & Celebration - 10UCF01	10.664	4,000
		9,494,726
Department of Energy		
Direct payments:		
Energy Efficiency Conservation Block Grant - American Recovery and Reinvestment Act	81.128	656,302
		656,302
U.S. Environmental Protection Agency		
Pass-through payments:		
Hampton Roads Clean Cities Corporation - American Recovery and Reinvestment Act	66.039	231,793
		231,793
National Endowment for the Arts		
Pass-through payments:		
Virginia Arts Commission	45.025	10,000
		10,000
Department of Housing and Urban Development		
Direct payments:		
Homeless Prevention and Rapid Rehousing Program - American Recovery and Reinvestment Act	14.257	255,865
Community Development Block Grant Program:		
Program Year 2007	14.218	61,325
Program Year 2008	14.218	121,745
Program Year 2009	14.218	40,061
Program Year 2010	14.218	115,686
Program Year 2011	14.218	595,350
Section 108 Loan Program - 2010 Program	14.248	165,317
Section 108 Loan Program - 2011 Program	14.248	204,036
CDBG Recovery Program	14.253	24,945
Shelter Plus/Mckinney-Vento Grant	14.238	9,741
HOME Investment Partnerships Program		
Program Year 2005	14.239	75,582
Program Year 2006	14.239	55,180
Program Year 2007	14.239	121,146
Program Year 2008	14.239	56,594
Program Year 2009	14.239	18,117
Program Year 2010	14.239	74,237
Program Year 2011	14.239	220,037
Pass-through payments:		
Virginia Department of Housing and Community Development		
Neighborhood Stabilization and Planning Grant	14.228	3,961
Neighborhood Stabilization Program	14.228	788,767
		3,007,692
Pass-through payments:		
Virginia Department of Health		
Infant Mortality and Chronic Disease Prevention	93.945	51,758
Health and Human Services Preparedness and Response Grant	93.889	6,386
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	122,486
Block Grants for Prevention and Treatment of Substance Abuse	93.959	763,092
Virginia Department of Social Services		
Promoting Safe and Stable Families	93.556	56,890
Temporary Assistance for Needy Families	93.558	1,796,101
Refugee and Entrant Assistance - State Administered Program	93.566	4,515
Low Income Home Energy Assistance	93.568	82,931
Payments to States for Child Care Assistance	93.575	1,128,776
Child Care & Development Fund	93.596	1,316,466
Chaffee Education and Training Vouchers Program (ETV)	93.599	3,994
Child Welfare Services-State Grants	93.645	6,865
Foster Care-Title IV-E	93.658	950,684
Foster Care-Title IV-E - American Recovery and Reinvestment Act	93.658	25,910
Adoption Assistance	93.659	527,490
Adoption Assistance - American Recovery and Reinvestment Act	93.659	35,136
Social Services Block Grant	93.667	958,392
Independent Living	93.674	22,650
State Children's Insurance Program	93.767	60,145
Child Care and Development Block Grant - American Recovery and Reinvestment Act	93.713	139,118
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,230,665
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	154,240
		9,444,690

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule T-1, Continued*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of the Interior		
Direct payments:		
Payment in Lieu of Taxes	15.226	7,386
U.S. Fish and Wildlife Service - Department of the Interior		
Back Bay Grants - 2011	15.614	28,769
Refuge Revenue Sharing	15.226	26,644
		62,799
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcement	16.579	188,010
State Criminal Alien Assistance Program	16.606	31,412
Edward Byrne Justice Assistance Program - American Recovery and Reinvestment Act		
Fiscal Year 2009 - American Recovery and Reinvestment Act	16.804	54,141
Office of Juvenile Justice and Delinquency Prevention - Gang Prevention Grant	16.541	24,787
Pass-through payments:		
Virginia Association of Chiefs of Police		
Projects Safe Neighborhood Program	16.710	6,691
Bureau of Justice Assistance:		
Victim Witness Program - American Recovery and Reinvestment Act	16.801	27,619
Juvenile Account Incentive Block Grant		
Fiscal year 2010	16.523	43,810
Fiscal year 2011	16.523	9,892
Edward Byrne Grant Program		
Fiscal year 2007	16.738	202,577
Fiscal Year 2009	16.738	62,909
Fiscal Year 2010	16.738	38,080
		689,928
Social Security Administration		
Direct payments:		
Social Security-Work Incentives Planning and Assistance Program	96.008	14,800
		14,800
U.S. Department of Transportation:		
Pass-through payments:		
Virginia Department of Transportation		
Federal Highway Administration - American Recovery and Reinvestment Act		
Dismal Swamp Trail	20.205	44,603
Resurfacing	20.932	3,857,449
Citywide LED Conversion	20.932	305,822
Bridge Surfacing Sealing	20.932	1,055,740
Federal Highway Administration - Planning and Construction		
RR Crossing Safety Program	20.205	14,871
Smart Traffic Center Phase 2	20.205	2,783,248
Smart Traffic Center Phase 3	20.205	949,418
Poindexter	20.205	1,000
BattleField Visitor Center	20.205	454,333
Johnstown and Waters Road	20.205	12,785
Rt. 104 Steel Bridge	20.205	11,013,714
Portsmouth Blvd Phase 4	20.205	29,320
Hanbury/Battlefield Interchange	20.205	641,880
Department of Motor Vehicles - Alcohol Traffic Safety and		
Drunk Driving Prevention Incentive Grants		
Fiscal year 2009	20.607	6,607
Fiscal year 2010	20.607	11,868
		21,182,658
Department of Defense		
Direct payments: Navy		
Open Space Easement Purchase	12.XXX	271,482
Department of Defense - Impact Aid	12.558	757,857
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	2,700
		1,032,039

(Continued)

CITY OF CHESAPEAKE, VIRGINIA *Schedule T-1, Continued*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalogue Number	Expenditures
Department of Education:		
Direct payments:		
Impact Aid	84.041	3,787,914
Pass-through payments:		
Commonwealth of Virginia Department of Behavioral and Development		
2010 Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	71,218
2011 Early Intervention Program - Part C - American Recovery and Reinvestment Act	84.393	81,952
Virginia Department of Education		
Adult Education - State Grant Program	84.002	204,770
Title I, Part D - Program for Neglected & Delinquent Children	84.013	13,449
Title I Grants to Local Educational Agencies	84.010	5,066,055
Special Education - Grants to States	84.027	9,349,622
Special Education - Preschool Grants	84.173	214,140
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,042,126
Vocational Education - Basic Grants to States	84.048	500,508
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	3,914
Title III, Part A - English Language Acquisition Grant	84.365	64,981
Title II, Part D - Enhancing Education Through Technology Program	84.318	54,796
Part C Funds	84.181	212,860
Educational Technology State Grants, Recovery Act	84.386	96,083
Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,385,603
Special Education Grants to States, Recovery Act	84.391	4,100,210
Special Education - Preschool Grants, Recovery Act	84.392	225,567
State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	10,688,692
		37,164,460
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters	97.044	14,988
Pass-through payments:		
Virginia Department of Emergency Management:		
Interoperable Communications Grant	97.078	42,763
Urban Area Security Iniative Grant	97.073	72,984
Interoperability Emergency Grant	97.001	10,067
Homeland Security Grant - 2010	97.073	42,000
Homeland Security Grant - 2011	97.073	16,433
Citizens Corp Grant - 2009	97.073	12,042
Citizens Corp Grant - 2007	97.053	2,671
Urban Area Security Iniative Grant-2009	97.073	24,547
Urban Area Security Iniative Grant-2009	97.008	52,579
Local Emergency Management Planning Grant - 2008	97.073	535
Haz-Mat Team Equipment, Exercise and Training	97.073	7,010
FEMA Reimbursement - 2009 Nor'easter Storm	97.036	131,054
		429,673
Department of Labor:		
Pass-through payments:		
Opportunity Incorporated		
Youth Employment Program - American Recovery and Reinvestment Act	17.259	50,740
Virginia Department of Education:		
WIA - Adult Program	17.258	24,498
WIA - Formula Youth	17.259	27,122
WIA - Dislocated Workers	17.260	35,871
		138,231
Corporation for National and Community Service:		
Pass-through payments:		
Virginia Department of Education		
Learn and Serve America - School and Community-Based Programs	94.004	24,841
		24,841
		$ 83,584,632

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to Financial Statements

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

General Fund	$	224,053
Capital Projects Fund		21,197,485
Public Utilities Fund		652,822
Special Revenue Funds:		
Virginia Public Assistance Fund		10,264,039
Grants Fund		3,370,621
Community Development Fund		1,799,784
Community Services Fund		1,098,438
Open Space		271,482
Total primary government		38,878,724
Component unit - Public Schools:		
School Operating Fund		42,682,983
School Food Services Fund		7,224,098
Total component unit - Public Schools		49,907,081
Total federal expenditures from intergovernmental revenue		88,785,805
Other reconciling items		(5,201,173)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	83,584,632

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, Tidewater Builders Association and Our House Families are the subrecipients for the federal awards of $699,737 for the Community Development Block Grant Program, $620,892 for the HOME Investment Program received from the Department of Housing and Urban Development, and $778,767 for the Neighborhood Stabilization Program from the Virginia Department of Housing and Community Development.

The Planning Council is the subrecipient of $1,147,251 related to the Child Care Assistance and Child Care Development Fund received from the Department of Social Services.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2011

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on the basic financial statements **UNQUALIFIED**

Internal Control over financial reporting:

- Material weakness identified: **NO**
- Significant deficiencies identified **NONE REPORTED**

Noncompliance material to the financial statements noted? **NO**

Federal Awards

Type of auditor's report issued on compliance for major programs **UNQUALIFIED**

Internal Control over major programs:

- Material weakness identified: **NO**
- Significant deficiencies identified : **NONE REPORTED**

Any audit findings which are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **NO**

Identification of major federal programs:

Name of Program	CFDA #
Department of Transportation:	
ARRA - Surface Transportation	20.932
Department of Health and Human Services:	
Child Care Development Cluster	93.575/93.596
ARRA – Child Care Development Cluster	93.713
TANF	93.558
Department of Education:	
Title I	84.010
ARRA – Title I	84.389
ARRA – State Fiscal Stabilization Fund	84.394
Special Education Cluster	84.027/84.173
ARRA – Special Education Cluster	84.391/84.392
Impact Aid	84.041
Department of Agriculture	
Food Stamp Administration Cluster	10.561
ARRA – Food Stamp Administration Cluster	10.561

(*Continued*)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, Management's Response, and Prior Year Findings
Year Ended June 30, 2011

I. Summary of Auditors' Results, Continued

Dollar threshold to distinguish between Types A and B Programs	**$2,507,539**
The City of Chesapeake was determined to be a low risk auditee?	**YES**

II. Findings – Financial Statement Audit	**NONE**
III. Findings and Questioned Costs – Major Federal Awards	**NONE**
IV. Findings and Question Costs – State Compliance	**NONE**
V. Resolution of Prior Year's Findings	**NONE**

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2011, and have issued our report thereon dated November 28, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc., as described in our report on the City of Chesapeake, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Elizabeth River Properties of Chesapeake, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests discovered no instances of noncompliance and other matters that are required to be reported in accordance with the *Government Auditing Standards.*

We identified certain other matters that we reported to management of the City in a separate letter dated November 28, 2011.

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

Cherry, Bekaert + Holland, L.L.P.

Virginia Beach, Virginia
November 28, 2011

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

Compliance

We have audited the compliance of the City of Chesapeake, Virginia (the "City) with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chesapeake complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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, Bekaert + Holland, L.L.P.

Virginia Beach, Virginia
November 28, 2011

End of Comprehensive Annual Financial Report
Of the City of Chesapeake, Virginia
For the Fiscal Year Ended
June 30, 2011

Chesapeake
VIRGINIA