

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2002

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



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CITY OF CHESAPEAKE, VIRGINIA

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INTRODUCTORY SECTION



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November 6, 2002

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, 2002, is hereby submitted. Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections:

- I. Introductory Section, which is unaudited, contains this transmittal letter, the City's organization chart, a list of principal elected and appointed officials, and a reproduction of the Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2001.
- II. Financial Section presents the independent auditors' report, management's discussion and analysis, basic financial statements, notes to basic financial statements, required supplementary information, and combining and individual fund statements and schedules. Management's discussion and analysis provides an overview of the City's financial activities and results of operations. The basic financial statements include government-wide financial statements and fund financial statements. The government-wide statements, which report governmental and business-type activities and its component units, are intended to present the City in a more corporate-style basis and provide a view of the big picture. The fund financial statements report major funds individually and nonmajor funds in the aggregate for governmental and proprietary funds. Combining and individual fund statements and schedules are also presented for major and nonmajor funds. The notes to basic financial statements are an integral part of the Comprehensive Annual Financial Report and should be read in conjunction with the statements for a complete understanding of the information presented within them.
- III. Statistical Section, which is unaudited, includes a number of tables that present various financial, economic, social, and demographic data, generally presented on a multi-year basis.

- IV. Compliance Section includes reports on internal controls and compliance and a Schedule of Expenditures of Federal Awards. The City of Chesapeake is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendment of 1996 and *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Information related to this Single Audit, including the Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs, and independent auditors' reports on internal control and compliance with applicable laws and regulations are included in this section.

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 Assembly of the Commonwealth of Virginia. The City is organized under the Council-Manager form of government. The governing body, the City Council, formulates policies for the 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. The 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 Commissions, City of Chesapeake Industrial Development Authority (the IDA), Chesapeake Port Authority, and Chesapeake Airport Authority.

The City provides a full range of general governmental services for its citizens. These services include police and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries, and construction and maintenance of highways, streets, and 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. There

are no overlapping jurisdictions, and consequently are not subject to overlapping debt or taxation.

Economic Condition and Outlook

Situated in the southeastern portion of the state known as the Hampton Roads region, Chesapeake is located within 750 miles of two-thirds of the nation's population and industrial activity. In the past decade Chesapeake has been one of the fastest-growing cities in the country, and results of the 2000 census indicate that Chesapeake is among the 100 largest cities in America. Industry, services and agriculture, along with a growing manufacturing and retail sector, are the primary components of the local economy. Although the recession, which began in 2001, has resulted in a flattening of growth in sales tax, business license tax, and admission and food tax, Chesapeake's economy has remained relatively strong compared to other areas in the country. Local unemployment for both Hampton Roads and Chesapeake continues to remain well under the national rate. In June 2002, the unemployment rate was 4.6% in Hampton Roads and 3.7% in Chesapeake, compared to 6.0% in the U.S.

In calendar year 2001, 15 new firms opened facilities in Chesapeake, while 21 existing businesses expanded their operations. Combined, these 36 firms invested over \$56.6 million in capital investment and added over 945 new employees to their payrolls. Department stores and restaurants continue to join the ranks of the City's retailers. Over 7,000 retail merchants are licensed to do business in Chesapeake, and retail sales totaled over \$2.2 billion in calendar year 2001.

Chesapeake continues its global appeal, being home to more than 60 foreign companies from 16 countries. The City's safe working and living environment and well-trained labor force are strong factors in its attraction to international businesses.

The 2001-2002 fiscal year includes the following economic highlights:

- Maersk Logistics has opened a new \$20 million warehouse in Gateway Commerce Park. The 225,000-square-foot warehouse complex will eventually employ 197 people. Maersk Logistics provides door-to-door delivery services for its clients, arranging the shipment of goods from overseas factories to their distribution centers and ultimately to customers' stores.
- INIT Innovations in Transportation Inc. has invested approximately \$1.2 million in a new office in Greenbrier's Crossways II building, and plans to hire 34 new employees over the next 2 ½ years. INIT Innovations in Transportation Inc. serves as the U.S. headquarters of a German transportation technology firm that supplies computer systems for public transit through vehicle systems, control center systems, and fare management and collection systems.
- The IDA purchased a 331-acre site south of Clearfield Avenue between Kempsville and Butts Station Roads. The IDA plans to develop Oakbrooke Business and Technology Center on approximately 100 acres of the property with about 1.1 million square feet of office and light industrial space.

- WIWA LP decided to locate its North American headquarters in Chesapeake. The German-based firm, a subsidiary of Wilhelm Wagner GmbH, engages in sales, distribution, assembly, and product testing for its line of high pressure, industrial coating systems. With a capital investment of \$150,000, WIWA LP located its 5,000 square-foot facility in Greenbrier Commerce Center. Four people will be employed initially with plans in the near future to expand to eight employees.
- In February 2002, Schock Metal America, Inc. announced the expansion of its Chesapeake facility and move to the Battlefield Lakes Tech Center. The company, a German based manufacturer of high quality steel and stainless steel ball bearing slides, first came to Chesapeake in 1997. The move into the new state of the art building will allow Schock Metal America to comfortably expand their warehousing, sales, and small assembly capabilities.

Despite the demands imposed from ongoing growth, Chesapeake retains an image as a good place to live and do business. The City has been recognized by *Money* magazine as one of the best cities in America. *Home Office Computing* magazine has called Chesapeake one of the top five places to start a home-based business. The study compared incomes, as well as the accessibility of the local government in providing assistance to potential small businesses.

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. The current economic climate has made it more challenging to find the necessary resources to keep up with increased demands for services for a growing city. The national events of September 11 have required enhanced security and anti-terrorism measures for City facilities. Cuts to the state budget were phased in during fiscal year 2002, and further reductions are anticipated in fiscal years 2003 and 2004. These reductions directly impact the City through lower revenues from the Commonwealth to support City programs. Management and City Council have begun to work proactively to effectively manage limited resources and increasing costs now and in the next few years.

During fiscal year 2002 the City achieved the following accomplishments:

- **Firearms Range** - The Police Department's \$2.3 million firearms range was opened in May 2002. The facility replaces an older, smaller range built in the 1970's. The new facility offers a 25,000-square-foot outdoor area surrounded by reinforced concrete and topped with fireproof plywood and armored plating. It features 28 firing lanes and a small house-like range with special moving targets that teach officers how to maneuver inside a building during a firefight. There is also a 3,770-square-foot building with a classroom, laundry room, weapons storage room and an area for cleaning and repairing guns.
- **Great Bridge Bridge Replacement** - In November 2001 a groundbreaking ceremony was held to mark the start of construction of a new five-lane bridge that will replace the two-lane span that has been in service since 1943. The City is working in cooperation with the Army Corps of Engineers on the \$25 million project, which is expected to be completed in 2004 and should relieve bottleneck congestion resulting from five lanes merging to two lanes.
- **Great Dismal Swamp Trail** - The City has received a \$180,000 federal grant to plan and design a trail in the Great Dismal Swamp. The trail would run roughly along U.S. 17, from Dominion Boulevard to the state line, and would connect with a 7.7 mile North Carolina trail that has already been funded. These trails will give the more than 50,000 annual visitors to the Great Dismal Swamp an opportunity to enjoy the ecological diversity of the swamp.
- **City Employee Pay Plan** - Following a comprehensive pay and classification study, the City implemented a new pay plan for City employees effective July 1, 2001. The pay plan made Public Safety employees' salaries more competitive with other area localities and adjusted salary levels and classifications for general employees.

Department Focus. Each year the City selects a department to highlight for its efforts and accomplishments. The Fire Department has been chosen for the department focus in 2002.

The mission statement of the Chesapeake Fire Department reads "We dedicate ourselves to protect and improve your quality of life by providing responsive and caring service". The Chesapeake Fire Department is committed to the fulfillment of this mission by being a proactive, progressive organization that delivers effective and efficient services to the citizens of Chesapeake. In pursuit of this mission, the Chesapeake Fire Department delivers the following services:

Emergency Operations – Of the 407 members of the Chesapeake Fire Department, 378 are assigned to 15 fire stations strategically located throughout the City to respond, mitigate, and control any emergency situation that occurs within the jurisdiction. The City also participates in numerous automatic and mutual aid agreements, as well as local, regional, and national endeavors, that have sent highly skilled personnel to save lives, control incidents, protect property, and preserve the environment. Following is a snapshot of the emergency services provided:

- **Fire Suppression** – In calendar year 2001 the Fire Department responded to 22,303 incidents,

of which 7,360 were fire related. The members of the department are responsible for saving nearly \$110,000,000 of property every year from the consequences of fire.

- **Emergency Medical Services** – All firefighters are trained to the emergency medical technician level with many having advanced qualifications, including over 80 members with paramedic certifications. The Fire Department responded to nearly 15,000 incidents involving the delivery of emergency medical services in calendar year 2001. This service is provided through nine advanced life support medic units complemented by engine and ladder companies capable of providing basic and advanced life support.
- **Special Operations** – The Fire Department operates several exceptional teams to mitigate and control unique incidents that require highly specialized training and equipment. These teams include the hazardous material team, foam team, technical rescue team, S.W.A.T. medic team, and marine team. Each team is an elite unit of highly trained members who, in conjunction with their regular duties, receive additional training and equipment to mitigate the most demanding emergency scenes. Petroleum incidents, weapons of mass destruction, terrorism incidents, vehicle extrications, and water rescues are examples of some of the incidents handled by these specially trained units.

Fire Prevention – The fire prevention division performs three important functions: plans review, fire inspections and fire investigations.

- **Plans Review** – The plans review segment is a key component of the City’s developmental review process. Over 850 plans, ranging from proposals for development to fire system protection plans, are reviewed annually by the division.
- **Fire Inspections** – Fire inspectors conduct over 6,000 detailed and thorough fire inspections annually. The inspectors also perform compliance advisement for the certificate of occupancy process, and complete acceptance tests and inspections on various protection and suppression systems throughout the City.
- **Fire Investigations** – In calendar year 2001 fire investigators responded to and investigated 533 cases. These included suspicious fires, environmental crimes, bomb threats and threats to burn, weapons of mass destruction, suspicious packages and substances, and various other investigations.

Public Education and Customer Service – The Fire Department has developed several programs to educate, inform and assist citizens. Over 500 life safety and fire prevention programs were delivered to over 20,000 citizens in calendar year 2001. These programs included life safety house tours, fire extinguisher training, smoke detector programs, and juvenile fire setter intervention programs.

Environmental Quality Management Program – This program is a new endeavor to ensure that the City operates and is in compliance with various environmental codes, statutes, and regulations. Annual compliance audits are performed each year; environmental compliance deficiencies are documented; and action plans are developed to correct violations.

Emergency Management – This division, which is the lead coordinating agency of the City under declared emergency conditions, operates under the Fire Department. Emergency Management is responsible for updating the City’s emergency operations plan and functional annexes. Personnel in this division design and conduct all-hazard exercises to prepare emergency responders and citizens to deal with various situations.

The Chesapeake Fire Department and its members take great pride in fulfilling the department’s mission on a daily and individual basis, and strive to protect and improve the quality of life in Chesapeake.

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 75,869 in 1990 to 96,292 in 2000 per the U.S Census Bureau, an increase of 27%.

The City is continuing efforts to manage residential growth, efficiently utilize the City’s infrastructure, and minimize impacts on nearby communities. Such efforts have helped to better manage the City’s growth rate from the level of 4.24% in 1994 to an average annual growth rate of 1.6% since 1995. One major tool used to manage growth is the Planning and Land Use Policy, a document that instituted a new standard called Levels of Service. Chesapeake’s growth management policies are serving as models for other Virginia localities that are attempting to control growth without stifling development.

Other studies and ordinance revisions continue to address concerns about the City’s growth patterns. To date, Area Plans for the Western Branch and South Norfolk areas have been adopted. In addition, 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 limiting sprawling development patterns. The City has begun a major update of its Comprehensive Plan and Master Transportation Plan. The Comprehensive Plan provides the policies and framework for future development decisions and the ultimate form of the City. It establishes goals for the City that are based on community values. Implementation strategies will be a component of the Plan, such as the coordination of capital improvements and other resources to achieve the Plan’s goals. The update of the Comprehensive Plan will take approximately two years to complete.

Council's responsiveness to development demands, as well as its commitment to orderly growth, has enhanced those quality of life values Chesapeake's citizens have embraced. Chesapeake has been featured in *50 Fabulous Places to Raise Your Family* and is ranked by the FBI as one of the safest cities of its size in the country.

Financial Information

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As part of the City's Single Audit, tests were made to determine the adequacy of internal control 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 and regulations, the audit for the fiscal year ended June 30, 2002 disclosed no material internal control weaknesses or material violations of applicable laws and regulations.

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Mosquito Control Commissions – Component Unit, and School Board - Component Unit Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the School Board Component Unit Construction Fund. 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 reappropriated as part of the following year's budget provided there is availability of funding at year-end.

Fund Structure. The City uses individual funds to maintain its financial records. These funds can

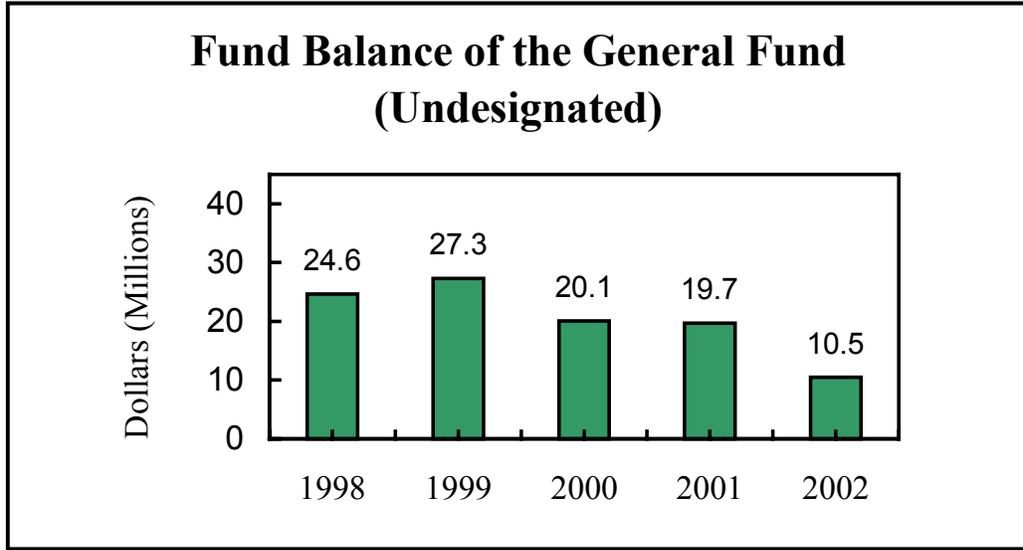
be grouped into three broad classifications: governmental funds, proprietary funds and a fiduciary fund.

- **Governmental Funds** - The City's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and Permanent Funds. The General Fund is the main operating fund of the City, and is used to account for all financial resources except those required to be accounted for in another fund. Special revenue funds have been established for programs that the City needs to track separately. There are ten special revenue funds for specific purposes, such as the Grants Fund, Virginia Public Assistance Fund, and Interagency Consortium Fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Capital Projects Fund accounts for proceeds from public improvement bond issues, local funding sources and construction grants and expenditures relating to capital projects. When capital projects are completed, the costs of the improvements are transferred from construction in progress to the appropriate fixed asset category. Permanent funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for specific purposes.
- **Proprietary Funds** - Proprietary funds are classified as enterprise funds or internal service funds. An enterprise fund is used to report an activity for which a fee is charged to external users for goods or services. An internal service fund is used to centralize certain services and then allocate the cost of these services within the government. The City maintains separate enterprise funds for six distinct activities: Public Utilities, Chesapeake Expressway, Stormwater Management, Northwest River Park, Jordan Bridge, and Recreation. The City uses four internal service funds: Central Stores, Information Technology, City Garage, and Self Insurance. The Central Stores Fund was eliminated as of June 30, 2002.
- **Fiduciary Fund** – The fiduciary fund is used to account for assets held by the City as trustee, as a custodian, or in a fiduciary capacity.

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

Fund Balance of General Fund. The General Fund fund balance is an important element in the financial position of the City. The fund balance is divided into reserved and unreserved portions, and the unreserved fund balance is subdivided into designated and undesignated portions. Reserved fund balance is used to reserve assets that are not available for current spending, and designated fund balance represents planned uses of current resources. Fund balance not only provides a reserve for emergencies, but it is a positive factor when the rating agencies consider bond ratings for the City. The City Charter requires that a minimum of six percent of total General Fund revenues must be set aside in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. The June 30, 2002 designation for cash flow emergencies totaled \$20,571,440. In fiscal year 2000, City Council established an additional designation of fund balance for operating emergencies

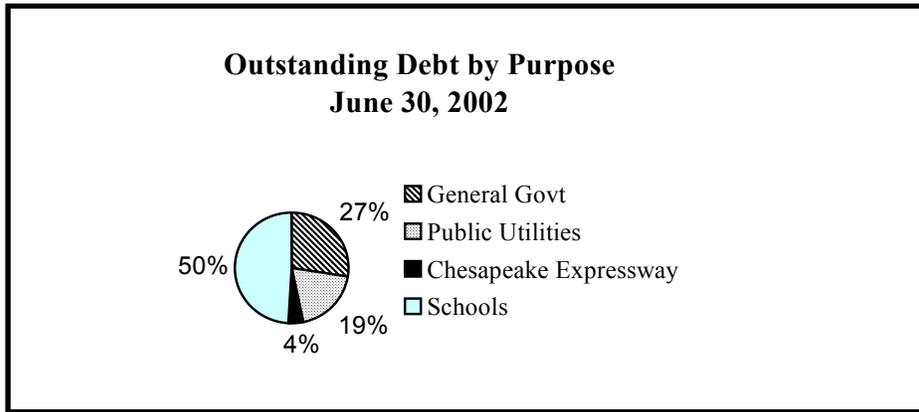
to be set at a minimum of five percent of total General Fund revenues. In fiscal year 2002, City Council elected to freeze the amount of the designation for operating emergencies at \$16,505,980. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$10,415,883 has been set aside in various reserves and other designations.



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$10,470,970 at June 30, 2002, a decrease of \$9,200,225 from the prior year. The change is primarily due to the one-time use of fund balance to implement a pay plan that addressed current salary levels as well as prior years' pay compression issues. Uses of the undesignated fund balance are carefully evaluated to ensure that the balance will be sufficient for future needs. A healthy undesignated fund balance allows the City to provide adequate services for the citizens, plan for future projects, and retain its sound financial position.

Summary of Changes in Undesignated Fund Balance of the General Fund (in Millions)		
Undesignated fund balance at June 30, 2001		\$ 19.7
Revenues	\$ 344.6	
Expenditures:		
Current	\$ 299.4	
Net Other Financing Uses	58.9	(358.3)
Increase in reserves and designations	4.5	
Decrease in undesignated fund balance		(9.2)
Undesignated fund balance at June 30, 2002		\$ 10.5

Debt Administration. As of June 30, 2002, outstanding general obligation bonds, revenue bonds, and literary loans totaled \$497,719,823 of which \$95,076,363 and \$21,630,000 relate to projects that will be paid from revenues of the Public Utility Enterprise Fund and the Chesapeake Expressway Fund, respectively. The balance of \$381,013,460 was for general capital improvement projects, including schools, and is considered to be net, direct, tax-supported debt.



Long-term debt issues during fiscal year 2002 were as follows:

Long-Term Debt Incurred in Fiscal Year 2002				
Description	Issue Amount	Issue Date	Net Interest Cost	
General Obligation School Bonds - Series 2001B	\$ 1,736,601	Nov 2001	4.52%	
General Obligation Public Improvement Bonds - 2001	2,260,000	Dec 2001	5.08%	
Public Improvement Refunding Bonds - 2001	51,450,000	Dec 2001	4.66%	
General Obligation School Bonds - Series 2002A	5,325,000	May 2002	4.80%	
General Obligation Water & Sewer Refunding Bonds - 2001	6,520,000	Dec 2001	4.23%	

Cash Management. The City charter provides that the elected City Treasurer is the custodian of City Funds. For the fiscal year ended June 30, 2002, cash temporarily idle during the year was invested in demand deposits (1.58%), repurchase agreements ranging from one to five days (1.07%), and in the following instruments with an average maturity of 172 days: Virginia banks' certificates of deposit covered by federal depository insurance or collateralized under the Virginia Security for Public Deposits Act (16.85%), bankers' acceptances (.26%), U. S. Government and Agencies (16.47%), commercial paper which has obtained ratings no lower than A-1 by Standard & Poor's and no lower than P-1 by Moody's (1.17%), short-term corporate notes of domestic corporations with a rating no lower than Aa by Moody's and AA by Standard & Poor's (3.96%), full flex repurchase agreements (.90%), the Local Government Investment Pool "LGIP" (40.91%), and the Virginia State Non-Arbitrage Program "SNAP" (16.83%). Investments are held to maturity under usual circumstances.

The State Treasurer manages the LGIP and invests funds according to the Virginia Treasury Board's

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

The average earnings yield on the investments for the year was 3.32%, which compares favorably with the average earnings yield of 2.17% for the U.S. Treasury three-month bill rate. The City of Chesapeake primary government earned revenues of \$6,919,404 on investments for the year ended June 30, 2002.

The breakdown of the interest earnings is as follows:

Interest on Invested Funds	
Fund Type	Interest Earned
General Fund	\$ 1,261,343
Special Revenue and Permanent Funds	72,566
Debt Service Fund	1,884,983
Capital Projects Fund	1,030,618
Enterprise Funds	1,964,257
Internal Service Funds	<u>705,637</u>
Total Interest Earned	\$ 6,919,404

The City's Comprehensive Investment Policy has been established according to the Governmental Accounting Standards Board (GASB) guidelines with the goal that investments fall within Category #1 type investments. Category #1 includes investments that are insured or registered and for which the securities are held by the City or its safekeeping agent in the City's name. Accordingly, a designated institution holds investments in third-party safekeeping except for Category #3 investments and those investments are insured by FDIC or collateralized according to the provision of the Virginia Public Deposit Act. Category #3 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or safekeeping agent but not in the City's name. All of the City's investments are within the guidelines of the Virginia statutes for safekeeping, as described in the section entitled *Investment of Public Funds*. In accordance with GASB Statement No. 3, investments held in LGIP, SNAP, First Union's full flex repurchase agreement, Evergreen Investment Advisors, Parata Capital Management Portfolio, and trustee money market funds are not categorized.

Self Insurance. The City has a self-insurance program with excess coverage for general, auto liability and workers' compensation. As part of this plan, resources are being accumulated in the Self-Insurance Fund to meet potential losses. In addition, various risk control techniques, including support for accident review and investigation of motor vehicle accidents, are ongoing. See Notes to Basic Financial Statements (No. 15, Page 104) for further information on the self-insurance program.

Other Information

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

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. In light of the extreme volume of effort surrounding the implementation of GASB Statement No. 34, we would like to thank the GASB Statement No. 34 Task Force which included the following departments: Finance, Public Works, Information Technology, Audit Services, Budget, City Attorney, City Manager, and Public Utilities. Special thanks go to Public Works, Information Technology, Audit Services, Real Estate Assessor, and Public Utilities Departments for their intense involvement in this implementation.

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.

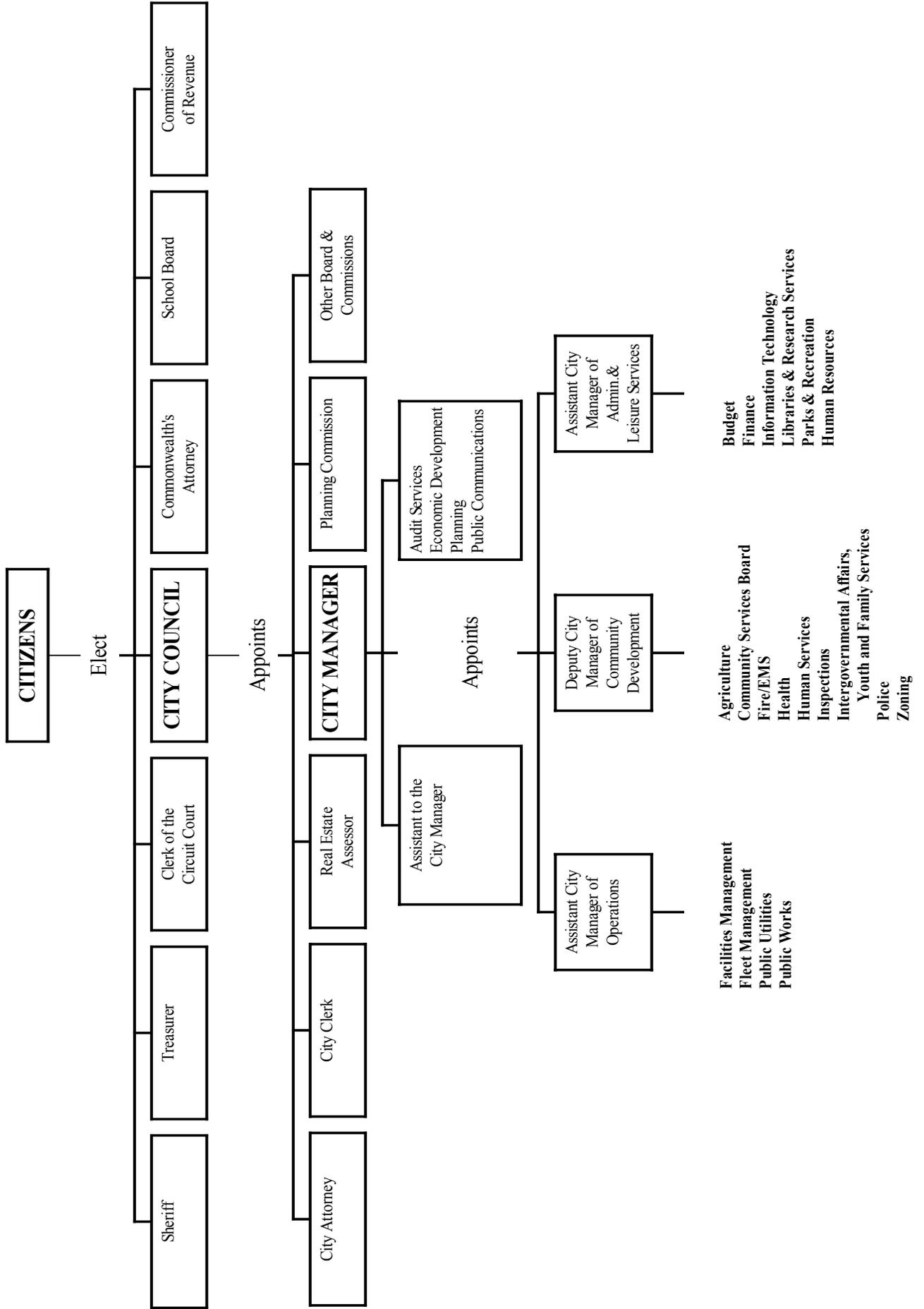
In closing, without the leadership and support of the governing body of the City of Chesapeake, preparation of this report would not have been possible.

Very truly yours,

/S/
Clarence V. Cuffee
Interim City Manager

/S/
Dale F. Craver
Acting Director of Finance

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2002

City Council

Dr. William E. Ward..... Mayor
John M. de Triquet M.D. Vice Mayor

John E. Allen
Dalton S. Edge
Dr. Alan P. Krasnoff
Dwight M. Parker
S. Z. “Debbie” Ritter
Gene A. Waters
Patricia Pritchard Willis

Other Officials

Clarence V. Cuffee..... Interim City Manager
Anne F. Odell..... Acting Deputy City Manager
R. Stephen Best. Sr. Acting Assistant City Manager
Doris “Cookie” Roberts Acting Assistant City Manager
Mary Ann Saunders Assistant to the City Manager
Perry R. Rogis..... Assistant to the City Manager
Dolores A. Moore City Clerk
Ronald S. Hallman City Attorney
V. Thomas Forehand, Jr..... Chief Justice of the Circuit Court
S. Bernard Goodwyn, Frederick H. Creekmore
and Bruce Kushner..... Judges, Circuit Court
Lillie Hart..... Clerk of the Circuit Court
Colon H. Whitehurst Chief Judge, General District Court
Robert R. Carter, David L. Williams and
Timothy S. Wright Judges, General District Court
Phyllis Hamric Clerk of the General District Court
Eileen A. Olds..... Chief Judge, Juvenile & Dom. Relations Court
Larry D. Willis, Rufus A. Banks..... Judges, Juvenile & Dom. Relations Court
Faye W. Mitchell Clerk of the Juvenile & Dom. Relations Court
Randall D. Smith..... Commonwealth’s Attorney
Nancy C. Tracy..... Director of Finance
Betty Jean Meyer Budget Director
Ray A. Conner Commissioner of the Revenue
Barbara O. Carraway City Treasurer
John R. Newhart..... Sheriff

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2002

Edmund E. Elliott, Jr. Acting Fire Chief
Patrick M. Hughes Acting Director of Inspections
Watson Lawrence..... Interim Director of Agriculture
Patricia C. Biegler..... Director of Public Works
Amar Dwarkanath..... Director of Public Utilities
Margaret P. Stillman..... Director of Libraries & Research Services
Brent R. Neilson Director of Planning
J. Tim Davis..... Zoning Administrator
Laurence Street City Assessor
Dania M. Karloff..... Director of Information Technology
Robert A. Clifton Acting Director of Parks & Recreation
Warren D. Harris..... Director of Economic Development
Colonel Richard A. Justice Chief of Police
Carolyn W. Darden..... Director of Human Resources
Robert L. Copeland..... Director of Intergovernmental Affairs, Youth and Family Services
Candace B. Waller Executive Director of Community Services Board
Dr. Nancy M. Welch Director of Health
Maury B. Brickhouse..... Director of Court Services
George Hrichak..... Director of Fleet Services
Jay Poole..... Director of Audit Services
Kathy Goldberg..... Acting Director of Human Services
Steven B. Hinchman Director Facilities Management

School Board

Mrs. Barbara B. Head Chairman
Thomas L. Mercer, Sr. Vice Chairman

Ann R. Wiggins
Dr. Shelia G. Hill
Thomas L. Mercer
Harry A. Murphy
Stephen Rodriguez
Michael J. Woods
Dr. Ella P. Ward

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2002

Other School Board Officials

Dr. W. Randolph Nichols..... Superintendent
Dr. William E. Russell..... Deputy Superintendent
Dr. Linda Duffy Palombo Assistant Superintendent for Curriculum & Instruction
Mr. Fred Cabler.....Assistant Superintendent for Budget & Finance
Dr. William S. Myers.....Assistant Superintendent for Personnel & Support Services
Mr. Steve Gilbert Assistant Superintendent for Operations
Dr. Teresa K. Mizelle Director of Staff Development/Assistant to the Superintendent
Mr. Edward L. Hughes..... Administrative Assistant to the Superintendent/Clerk of the Board

Supplemental Listing

Joseph E. Love..... Secretary/Treasurer, Chesapeake Airport Authority
Warren D. Harris.....Executive Director, Chesapeake Port Authority
Warren D. Harris..... Executive Secretary, Industrial Development Authority
Brenda WillisExecutive Director, Chesapeake Redevelopment and Housing
Stephanie Tinsley..... Interim Director of Administration and Finance,
Chesapeake Redevelopment and Housing
Leroy Bohn Superintendent, Washington Mosquito Control
Gene Payne Superintendent, Great Bridge Mosquito Control
Roland J. Soderholm.....Superintendent, Deep Creek Mosquito Control
Louis DeMarco Superintendent, Western Branch Mosquito Control
Jim Lemnios Interim Superintendent, South Norfolk Mosquito Control

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, 2001

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.



Timothy A. Brown
President

Jeffrey L. Esser
Executive Director

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FINANCIAL SECTION



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2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Chesapeake, Virginia (the City) as of and for the year ended June 30, 2002, 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 City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority or the Chesapeake Port Authority, which together represent 40 percent and 2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority and the Chesapeake Port Authority, 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, 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.





As discussed in note 1 to the financial statements, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, for the year ended June 30, 2002.

The Management’s Discussion and Analysis on pages 4 through 17 and the other required supplementary information included at schedules J-1 through J-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The information listed as supplementary information and compliance section information in the accompanying table of contents, including the 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections were not audited by us and, accordingly, we do not express an opinion on them.

KPMG LLP

November 6, 2002

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



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year ended June 30, 2002

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, 2002. 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 2002

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2002 by \$935.2 million (*net assets*). Of this amount, \$93.4 million is unrestricted.
- The City's total net assets decreased by \$5.1 million from the prior year. The governmental net assets decreased \$10.8 million and business-type net assets increased by \$5.7 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$133.5 million, a decrease of \$11.9 million in comparison with the prior year. Approximately 79 percent or \$104.8 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported a deficiency of revenues and other financing sources under expenditures and other financing uses of \$13.7 million, primarily due to a planned use of fund balance.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$10.5 million, or 3.5 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$15 million (3 percent) during the current fiscal year, due to scheduled repayment of principal of \$24 million and new debt of \$9 million.
- In May 2002 the City sold \$5.3 million in general obligation school bonds at a true interest cost of 4.8 percent. The bonds will be used to fund School capital projects.
- In November 2001 the City sold \$1.7 million in general obligation school bonds at a true interest cost of 4.52 percent. The bonds will be used to fund School capital projects.
- In December 2001 the City refunded over \$56.6 million of its debt portfolio, for the purpose of improving the City's ability to meet its budgetary requirements under the pay plan, and for the purpose of achieving present value debt service savings.
- In December 2001 the City sold \$2.3 million in general obligation public improvement bonds at a true interest cost of 5.08%. The bonds will be used to fund the Police Training Academy Firing Range.

OVERVIEW OF THE FINANCIAL STATEMENTS

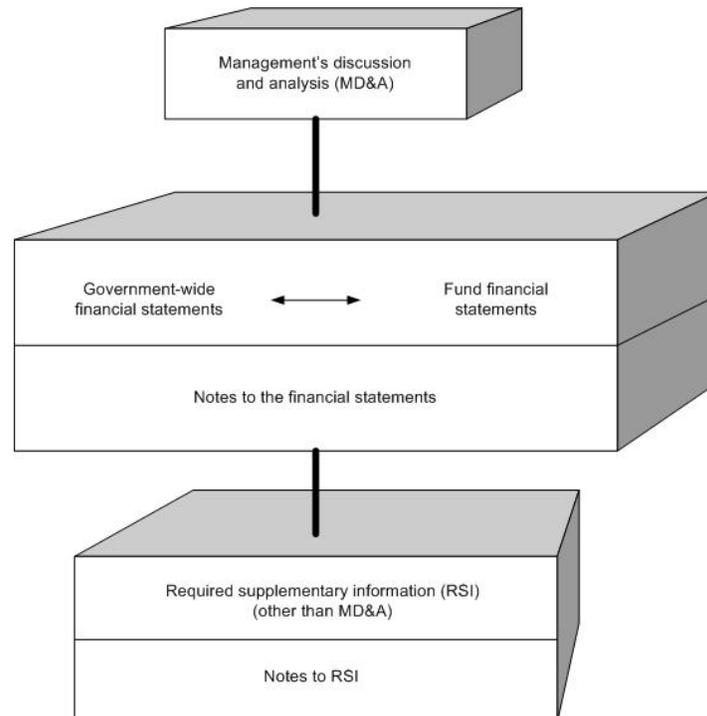
This discussion and analysis is intended to serve as an introduction to the City of Chesapeake's basic financial statements. The City's basic financial statements comprise three components: *government-wide financial statements, fund financial statements, and notes to the financial statements*. This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

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining 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.
 - *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 financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A shows how the required parts of this *Management's Discussion and Analysis* and the City's *basic financial statements* are arranged and relate to one another.

Figure A
Required Components of Chesapeake's Financial Statements



In the past, the primary focus of local government financial statements has been summarized fund type information on a current financial resources basis. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB Statement No. 34) for June 30, 2002, the new focus is on both the City as a whole (government-wide) and the fund financial statements. Each view provides a different snapshot of the City's finances. The government-wide financial statements, which are new for fiscal year 2002, provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, 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 report information about the City of Chesapeake as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, include *all* of the government's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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 – is 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, and parks and recreation departments, and general administration. Property 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 five separate legal entities in its report – the five Mosquito Control Commissions, the Chesapeake Airport Authority, the City of Chesapeake Industrial Development Authority, the Chesapeake Port Authority, and the Chesapeake Public Schools. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides operating funding.

Fund Financial Statements

The format of the fund financial statements will be more familiar to traditional users of government 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.
- *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' 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 Central Fleet (Garage) Fund and the Information Technology Fund.
- *Fiduciary fund* – 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 this fund are used for their intended purpose. These activities are reported in a separate statement of fiduciary net assets. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year that the City of Chesapeake has presented its financial statements under the new reporting model required by GASB Statement No. 34. This reporting model changes significantly both the recording and presentation of financial data. However, under this statement, the City is not required to restate prior periods for the purposes of providing comparative information. In future years, when prior year information becomes available, a comparative analysis of government-wide information will be included in this report.

Statement of Net Assets

The following table reflects the condensed Net Assets:

Table 1
Summary of Net Assets
As of June 30, 2002
(in millions)

	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 182.2	59.2	241.4
Capital assets	1,003.3	411.0	1,414.3
Total assets	\$ 1,185.5	470.2	1,655.7
Current and other liabilities	\$ 57.8	9.0	66.8
Long-term liabilities	469.6	184.1	653.7
Total liabilities	527.4	193.1	720.5
Net assets:			
Invested in capital assets, net of related debt	540.0	228.7	768.7
Restricted net assets	26.2	46.9	73.1
Unrestricted net assets	91.9	1.5	93.4
Total net assets	658.1	277.1	935.2
Total liabilities and net assets	\$ 1,185.5	470.2	1,655.7

Net assets (assets over 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 \$935.2 million at the close of fiscal year 2002. By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, equipment, 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.

Approximately 8% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$93.4 million or 10%) may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

Net assets of the City's governmental activities decreased from \$668.9 million to \$658.1 million as a result of the decrease in net assets of \$10.8 million as shown on the Statement of Activities. This decrease was largely due to the effects from a planned reduction in net assets for the City's pay plan in addition to the recording of depreciation expense on capital assets.

Business-type Activities

The net assets of the City's business-type activities increased from \$271.3 million to \$277.1 million. However, 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, and the Chesapeake Expressway enterprise funds. A key element of this increase was due to deeded and donated assets from developers in the amount of \$6.1 million.

Statement of Activities

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

Table 2
Changes in Net Assets
For the Fiscal Year Ended June 30, 2002
(in millions)

	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 16.3	46.7	63.0
Operating grants and contributions	71.1	2.0	73.1
Capital grants and contributions	8.7	6.1	14.8
General revenues			
Property taxes	189.2	-	189.2
Other taxes	69.1	-	69.1
Unrestricted investment earnings	3.1	-	3.1
Other	2.0	-	2.0
Capital grants and contributions not restricted to specific programs	28.0	-	28.0
Total revenues	387.5	54.8	442.3
Expenses			
General government	84.4	-	84.4
Public safety	64.8	-	64.8
Public works	36.2	-	36.2
Parks	8.5	-	8.5
Public welfare	34.8	-	34.8
Education (payment to Schools)	127.6	-	127.6
Public Utilities	-	35.9	35.9
Stormwater Management	-	2.4	2.4
Chesapeake Expressway	-	8.0	8.0
Depreciation - unallocated	20.3	-	20.3
Other	-	1.5	1.5
Interest on long-term debt	22.9	-	22.9
Total expenses	399.5	47.8	447.3
Excess (deficiency) before transfers	(12.0)	7.0	(5.0)
Transfers	1.2	(1.2)	-
Increase (decrease) in net assets	(10.8)	5.8	(5.0)
Net assets - July 1, 2001	668.9	271.3	940.2
Net assets - June 30, 2002	\$ 658.1	277.1	935.2

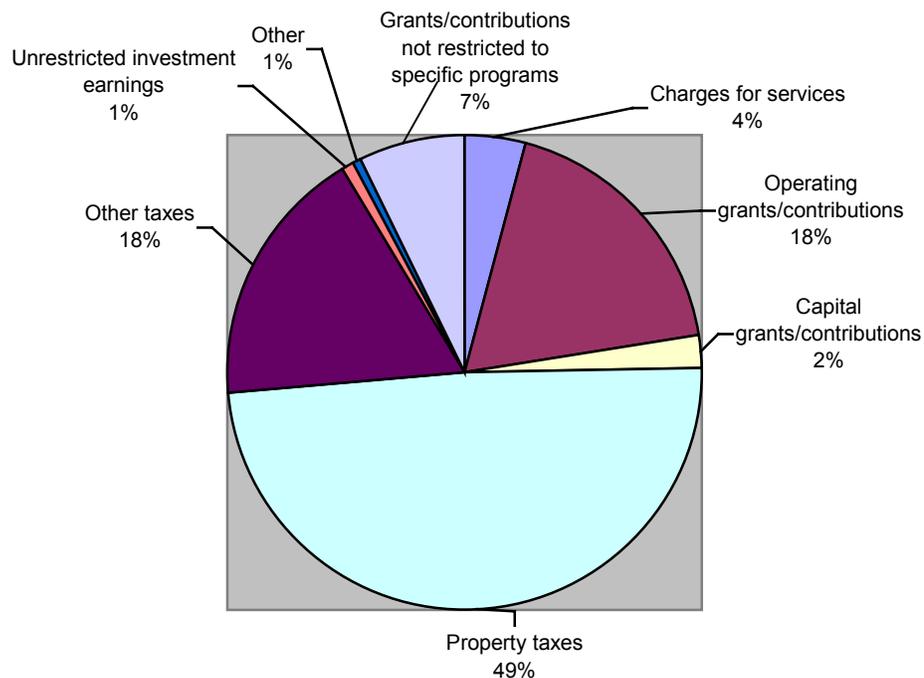
Governmental Activities

The City's total revenues from governmental activities were \$387.5 million for the fiscal year ended June 30, 2002. The largest source of revenue (\$189.2 million for fiscal year 2002) for Chesapeake is property taxes, composed of real estate and personal property taxes. The City's assessed real property tax base for fiscal year 2002 increased 6.8%. The City has maintained the same real estate tax rate (\$1.28 per \$100 of assessed value for properties serviced by the Mosquito Control Commissions and \$1.26 per \$100 of assessed value for other properties) for the last seven years.

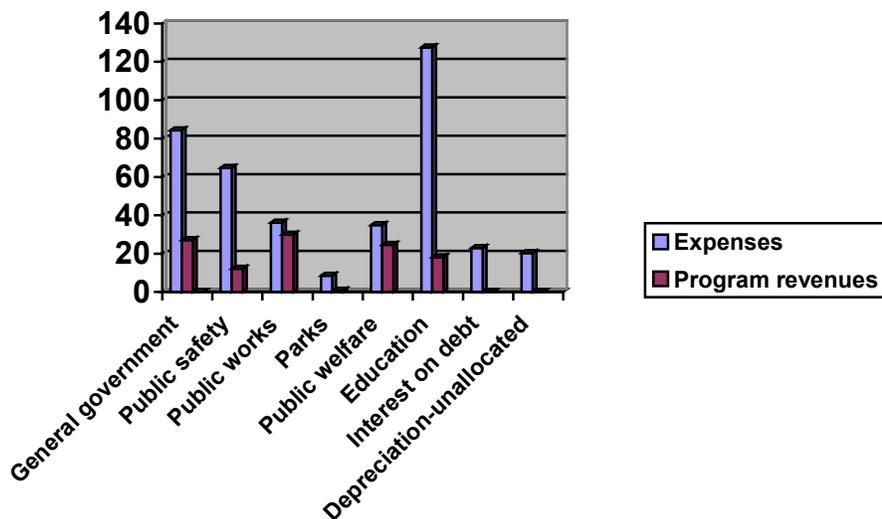
Over half (58%) of the City's revenue from governmental and business type activities comes from some type of tax, and 14% comes from fees charged for services.

The City's expenses cover a wide range of services, with 14% or \$64.8 million for fiscal year 2002 related to public safety and 29% or \$127.6 million for fiscal year 2002 for education (payments to the Public Schools, a component unit). The total decrease in net assets of \$10.8 million for governmental activities resulted partially from expenses related to the implementation of the City's pay plan not offset by revenues and from the recording of depreciation expense on capital assets.

Revenues by Source – Governmental Activities



Expenses and Program Revenues – Governmental Activities (in \$millions)



Business-Type Activities

Net assets for the City’s business-type activities increased by \$5.8 million largely as a result of assets deeded over by developers. Charges for services including water and sewer utility fees, stormwater fees, and toll revenues make up 85% of total revenues for business-type activities.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds

The focus of Chesapeake’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a city’s net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2002, the governmental funds reported combined ending fund balances of \$133.4 million, a decrease of \$11.9 million in comparison with the prior year. Included in this are the following major transactions:

- \$9.2 spent on pay plan implementation from General Fund fund balance.
- \$18.5 million spent in the Capital Projects Fund to fund infrastructure, the 800 MHz radio system, and other community facilities.
- \$114 million contributed by the City’s General Fund in operating and capital funds to finance the Public Schools’ operations and capital construction.
- \$25 million principal debt retired, plus \$9 million of new borrowing.
- Approximately \$500,000 unanticipated use of fund balance for higher than expected payroll expenses associated with the pay plan implementation in the Community Services Special Revenue Fund.

- \$1 million contributed by the Virginia Public Assistance Fund to the Interagency Consortium Fund to continue mandated services for at-risk youth.

Approximately \$104.7 million of the combined total fund balances constitutes *unreserved fund balance*, which generally is available for spending at the government's discretion. City Council has designated portions of this unreserved fund balance in the following amounts and for the following purposes:

- \$20.6 million for cash flow emergencies
- \$16.5 million for operating emergencies
- \$21.8 million for debt service
- \$25.7 million for capital projects
- \$4 million for various purposes

The remainder of the unreserved fund balance at June 30, 2002, not designated for a specific purpose, includes \$10.5 million in the General Fund, the City's chief operating fund. This amount represents 3.5% of total General Fund expenditures, as a measure of the General Fund's liquidity. Total fund balance of the General Fund decreased by \$13.7 million for fiscal year 2002. A key factor that contributed to this decrease was a planned use of undesignated fund balance and reserves in the amount of \$18.9 million. Major planned uses in the approved operating budget included:

- \$6.1 million for capital budget funding
- \$9.2 million to fund the pay plan
- \$4.5 million for prior year encumbrances
- \$.5 million for operating budget funding

These planned uses were partially offset by an addition to fund balance from operations in the amount of \$5.2 million.

The Debt Service Fund ended the year with \$24.9 million in total fund balance. The unreserved fund balance is \$21.8 million, which has been designated by City Council for the payment of debt service. There was a net decrease in fund balance of \$1 million, which comprised the following major transactions:

- a planned use of fund balance of \$1.2 million for capital projects
- use of \$375,000 for retirement of Port Authority Note
- \$1.7 million reduction in transfers from the General Fund, offset by debt service savings due to the refunding/restructuring of the City's debt portfolio

The City spent \$18.5 million in the Capital Projects Fund to fund major capital projects, including the Public Safety Training Academy firing range, Cedar Road improvements, the Great Bridge (AIW) Bridge, and the 800 MHz digital radio system and towers. Funding for the 800 MHz system was provided by \$8.9 million capital lease proceeds. The firing range project was funded by \$2.3 million in general obligation bond proceeds.

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.

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year amounted to \$36.9 million. Growth in net assets was \$5.4 million, resulting mainly from the booking of deeded and donated assets from developers in the amount of \$5.1 million. The increase in net assets before this transaction was \$284,589. Over \$7 million was spent on major water and sewer capital projects.

The Chesapeake Expressway began operations in May 2001 and commenced collecting tolls. Total first year operating revenues for fiscal year 2002 totaled \$5.9 million. Operating expenses for the year also amounted to \$5.9 million, with almost \$4 million in first year depreciation expense. Net assets for the period decreased by \$1.3 million, with the Chesapeake Expressway Fund covering interest expense on the toll road revenue bonds from operations. During construction, interest expense was capitalized and paid from bond proceeds.

The Stormwater Management Enterprise Fund had \$6.7 million in restricted net assets at June 30, 2002. Growth in net assets was \$1.6 million resulting from a stormwater fee increase effective July 1, 2001. The fees collected in excess of current operating needs are designated for use on future stormwater projects around the City. Approximately \$1.7 million was spent on various stormwater, dredging, and drainage improvement projects during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Fiscal Year 2002 (in millions)

	Original Budget	Amended Budget	Actual
Revenues			
Taxes	\$ 252,274,393	\$ 252,574,393	\$ 258,213,825
Intergovernmental	74,708,097	76,455,850	69,289,914
Other	15,637,060	15,858,455	16,090,515
Total	342,619,550	344,888,698	343,594,254
Expenditures and Transfers			
Expenditures *	181,608,477	191,750,549	185,309,227
Transfers (net)	168,441,523	172,089,782	172,033,271
Total	350,050,000	363,840,331	357,342,498
Change in Fund Balance	\$ (7,430,450)	\$ (18,951,633)	\$ (13,748,244)

* The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$4.5 million for encumbrances reappropriated from June 30, 2001.

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$10.1 million (increase in appropriations) and includes the following major changes:

- \$9.2 million appropriation from undesignated fund balance to fund the pay plan
- \$1.1 million appropriation from increased tax revenue estimates to fund the pay plan (\$550,000 of which was transferred to Chesapeake Public Schools under revenue sharing policy)
- \$325,000 appropriation to public safety from Wireless E-911 revenues
- \$439,000 appropriation to public works from State highway maintenance funds

Actual total revenues fell short of the amended budget by \$1.3 million, partially due to lower interest rates on invested cash and anticipated shortfalls in local revenues. The City budgeted for the Commonwealth to step-up to the 100% level of the Personal Property Tax Relief Act phase-out of property tax on personal vehicles. However, the Commonwealth remained at the 70% level. Therefore, the City's budget to actual analysis reflects a positive variance in taxes which is offset by a negative variance in the intergovernmental revenues. Expenditures were significantly below budget by \$6.4 million. This positive budget variance helped to partially offset the planned use of undesignated fund balance and reserves in the amount of \$18.9 million (described earlier).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Chesapeake's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$1.4 billion (net of depreciation). This investment includes land, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress.

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

- Construction neared completion on the \$19.5 million 800 MHz Digital Radio System and Tower project.
- The City began its participation with the U.S. Army Corps of Engineers in the Atlantic Intercoastal Waterway (Great Bridge) Bridge project.
- Construction in progress totaled \$50 million for governmental activities at the end of the fiscal year (including certain Public Schools projects under construction).
- Construction in progress totaled \$25 million for business type activities at the end of the fiscal year.

The City's fiscal year 2003 capital budget calls for \$26.9 million for capital projects, including the continued participation with the U.S. Army Corps of Engineers in the Great Bridge (AIW) Bridge project, the Indian River Library expansion, and a new fire station in the Camelot/Brentwood area of the City. The City plans to use existing funds for the majority of projects. General obligation bonds will be issued to fund the fire station.

**City of Chesapeake's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2002**

	Governmental Activities		Business-Type Activities		Total	
Land	\$	247,805,430	\$	16,996,200	\$	264,801,630
Construction in progress		49,991,766		24,983,680		74,975,446
Buildings		397,322,574		4,051,847		401,374,421
Improvements other than buildings		6,001,912		973,783		6,975,695
Equipment and vehicles		22,011,267		5,019,720		27,030,987
Infrastructure		280,130,314		358,950,601		639,080,915
Total	\$	1,003,263,263	\$	410,975,831	\$	1,414,239,094

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 \$497,719,823. Of this amount, \$457,439,823 comprises debt backed by the full faith and credit of the City and \$40,280,000 debt secured by revenues of the Public Utility enterprise and the Chesapeake Expressway enterprise.

**City of Chesapeake's Outstanding Debt
General Obligation, Revenue Bonds and Literary Loans
Fiscal Year ended June 30, 2002
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2001	2002	2001	2002	2001	2002
General obligation bonds	\$ 385.5	373.5	78.4	76.4	463.9	449.9
Revenue bonds			40.9	40.3	40.9	40.3
Literary loans	8.1	7.5			8.1	7.5
Total	\$ 393.6	381.0	119.3	116.7	512.9	497.7

Chesapeake's total bonded debt decreased by \$15.2 million during the fiscal year. The City sold \$7.1 million general obligation bonds for School purposes and \$2.2 million for public safety purposes. These issuances were offset by debt principal repayments amounting to \$25 million. In addition, \$51.4 million general obligation public improvement refunding bonds were issued to refund \$50.9 million of bonds, and \$6.5 million general obligation water and sewer bonds were issued to refund \$5.7 million of bonds.

The City maintains a AA rating from Standard & Poor's Corporation on general obligation bond issues. Under Moody's Investors Service, the City maintains a Aa2 rating. The public utility revenue bonds have been rated Aa3 by Moody's. Chesapeake Expressway toll road revenue bonds are rated Baa2 by Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$1,126,203,317, 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 unemployment rate in June 2002 for the City of Chesapeake is 3.7 percent, which is an increase from the average for 2001 of 2.9 percent. This compares to the state's unemployment rate of 4.3 percent and the national rate of 6 percent.
- Chesapeake's annual population growth rate has slowed over the past several years, from approximately 4% to 1.04% for 2001.
- The implementation of the City Employee Pay Plan in fiscal year 2002 required a commitment to balance recurring operating expenditures against recurring revenues within a four-year period.
- Consistent with the national economic recession which began in the Spring of 2001, the City has experienced flattening of revenue growth from sales tax, business license tax, admission and food tax. However, low interest rates have spurred continued growth in real property tax and personal property tax.
- The Commonwealth of Virginia budget shortfall will have a direct impact on revenues in support of City programs.

All of these factors were considered in preparing Chesapeake's budget for the 2003 fiscal year.

During the current fiscal year, undesignated fund balance in the General Fund decreased from \$19.6 million to \$10.4 million due to a planned use of fund balance. The fiscal year 2002-2003 operating budget includes an additional planned use of General Fund Balance in the amount of \$2.1 million. This amount was reserved for use in the pay plan implementation. No tax rate increase was recommended. Public Utility and Stormwater rates remained stable as well.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements



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Government-Wide Financial Statements



Statement of Net Assets
June 30, 2002

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 96,777,693	17,347,531	114,125,224	24,054,279	5,553,567
Receivables, net of allowance for uncollectibles (note 3)	33,770,559	8,057,163	41,827,722	11,408,357	43,018,939
Due from component units, net of allowance for uncollectibles (note 7)	622,000	-	622,000	-	-
Internal balances	511,021	(511,021)	-	-	-
Inventories	424,282	542,908	967,190	912,459	339,186
Prepaid items	660,924	35,004	695,928	871,556	-
Restricted assets (note 2):					
Cash and temporary investments with trustee	4,261,100	1,281,271	5,542,371	-	543,300
Cash restricted for debt service	-	5,397,950	5,397,950	-	-
Cash restricted for debt service with trustee	-	3,325,839	3,325,839	-	-
Cash with State Set-Aside	22,851	-	22,851	-	-
Capital construction:					
Cash and temporary investments	34,045,417	20,527,620	54,573,037	13,496,859	-
Cash and temporary investments with trustee	10,723,191	2,371,573	13,094,764	-	-
Capital assets, net of accumulated depreciation (notes 4, 6 and 9):					
Land	247,805,430	16,996,200	264,801,630	13,954,283	982,325
Construction in progress	49,991,766	24,983,680	74,975,446	16,573,752	-
Buildings	497,924,797	4,215,589	502,140,386	4,649,301	944,513
Improvements other than buildings	9,268,412	1,238,738	10,507,150	2,433,648	12,511,907
Equipment and vehicles	65,935,907	8,756,658	74,692,565	44,731,877	1,607,292
Infrastructure	912,885,075	450,035,960	1,362,921,035	-	-
Accumulated depreciation	(780,548,124)	(95,250,994)	(875,799,118)	(31,830,374)	(5,576,388)
Other assets	414,585	823,600	1,238,185	-	5,307,714
Total assets	\$ 1,185,496,886	470,175,269	1,655,672,155	101,255,997	65,232,355
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses (note 3)	\$ 14,231,031	2,939,101	17,170,132	26,958,655	323,053
Deferred revenue	3,636,715	2,211,999	5,848,714	47,549	5,670
Matured bonds payable	1,675,000	-	1,675,000	-	-
Due to primary government (note 7)	-	-	-	-	2,885,568
Long-term liabilities					
Due within one year (notes 6, 9 and 10)	38,303,023	3,851,429	42,154,452	3,747,145	2,831,737
Due in more than one year (notes 6, 9 and 10)	469,566,138	184,086,814	653,652,952	23,365,041	44,698,187
Total liabilities	527,411,907	193,089,343	720,501,250	54,118,390	50,744,215
Net assets					
Invested in capital assets, net of related debt	539,948,528	228,743,587	768,692,115	46,342,932	9,176,854
Restricted for:					
Capital projects	8,083,703	1,486,345	9,570,048	11,127,232	-
Debt service	15,682,603	7,118,289	22,800,892	-	-
Other purposes	2,489,268	38,257,791	40,747,059	1,720,719	-
Unrestricted	91,880,877	1,479,914	93,360,791	(12,053,276)	5,311,286
Total net assets	658,084,979	277,085,926	935,170,905	47,137,607	14,488,140
Total liabilities and net assets	\$ 1,185,496,886	470,175,269	1,655,672,155	101,255,997	65,232,355

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

CITY OF CHESAPEAKE, VIRGINIA
 Statement of Activities
 Year Ended June 30, 2002

Schedule B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Discretely Presented	
			Grants and Contributions	Capital Grants and Contributions			Public Schools	Others
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 84,448,270	9,437,972	17,485,398	216,885	(57,308,015)	-	(57,308,015)	-
Public safety	64,783,649	3,856,216	8,390,032	-	(52,537,401)	-	(52,537,401)	-
Public works	36,157,109	1,047,905	20,387,732	8,492,174	(6,229,298)	-	(6,229,298)	-
Parks	8,505,832	136,676	547,731	-	(7,821,425)	-	(7,821,425)	-
Public welfare	34,782,299	1,783,245	22,780,006	-	(10,219,048)	-	(10,219,048)	-
Education	127,641,137	-	1,497,066	-	(126,144,071)	-	(126,144,071)	-
Interest on long term debt	22,917,657	-	-	-	(22,917,657)	-	(22,917,657)	-
Depreciation - unallocated	20,330,313	-	-	-	(20,330,313)	-	(20,330,313)	-
Total governmental activities	399,566,266	16,262,014	71,087,965	8,709,059	(303,507,228)	-	(303,507,228)	-
Business-type activities:								
Public Utilities	35,894,396	34,632,317	1,404,545	5,097,391	-	5,239,857	5,239,857	-
Stormwater Management	2,399,388	4,368,653	252,275	-	-	2,221,540	2,221,540	-
Jordan Bridge	985,979	1,111,604	-	-	-	125,625	125,625	-
Northwest River Park	94,993	125,909	-	-	-	30,916	30,916	-
Chesapeake Expressway	7,999,192	5,869,474	282,595	1,024,161	-	(822,962)	(822,962)	-
Recreation	424,166	542,970	-	-	-	118,804	118,804	-
Total business-type activities	47,798,114	46,650,927	1,939,415	6,121,552	-	6,913,780	6,913,780	-
Total primary government	\$ 447,364,380	62,912,941	73,027,380	14,830,611	(303,507,228)	6,913,780	(296,593,448)	-
COMPONENT UNITS:								
Industrial Development Authority	\$ 3,003,184	40,823	2,641,250	2,000,000	-	-	-	1,678,889
Chesapeake Airport Authority	984,715	180,231	552,390	153,978	-	-	-	(98,116)
Chesapeake Port Authority	31,159	32,500	545,607	-	-	-	-	546,948
Mosquito Control Commissions	2,861,611	3,289,893	-	-	-	-	-	428,282
Public Schools	276,048,977	6,617,048	47,860,768	1,387,058	-	-	(220,184,103)	-
Total component units	\$ 282,929,646	10,160,495	51,600,015	3,341,036	-	-	(220,184,103)	2,556,003
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					\$ 172,104,542			
Other local taxes					26,121,116			
Public service taxes					17,068,149			
Sales taxes					15,191,835			
Other taxes					27,831,303			
Payment from City					-			120,484,322
Grants and contributions not restricted to specific programs					28,089,957			110,076,825
Unrestricted investment earnings					3,064,209	24,842		68,678
Miscellaneous					2,066,037			19,588
Loss on disposition of assets					(15,126)			(315,750)
Transfers					1,195,621	(1,195,621)		-
Total general revenues and transfers					292,717,643	(1,170,779)	291,546,864	230,649,413
Change in net assets					(10,789,585)	5,743,001	(5,046,584)	10,465,310
Net assets - beginning, as restated (note 18)					668,874,564	271,342,925	940,217,489	36,672,297
Net assets - ending					\$ 658,084,979	277,085,926	935,170,905	47,137,607
								14,488,140

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

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Fund Financial Statements



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Governmental Fund Financial Statements

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

Other Governmental Funds – Include Special Revenue and Permanent Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
 Governmental Funds
 June 30, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 47,039,383	21,838,590	-	6,057,132	74,935,105
Intergovernmental revenues due from:					
Commonwealth of Virginia (note 3):					
Local sales tax	2,139,138	-	-	-	2,139,138
Shared expenditures	1,306,007	-	-	-	1,306,007
State categorical aid	-	-	-	892,223	892,223
Street construction and maintenance	4,625,687	-	-	-	4,625,687
Personal property tax relief act	7,268,020	-	-	-	7,268,020
Other	642,141	-	351,587	-	993,728
Federal government	-	-	-	1,908,352	1,908,352
Receivables (note 3):					
Property taxes (note 3)	13,054,058	-	-	-	13,054,058
Accounts receivable	219,287	-	-	181,783	401,070
Utility taxes	1,418,360	-	-	-	1,418,360
Interest	308,237	179,992	150,084	890	639,203
Fines	179,394	-	-	-	179,394
Ambulance fees	1,978,797	-	-	-	1,978,797
Restaurant and food tax	1,151,821	-	-	-	1,151,821
Other	1,804,837	-	7,894	20,000	1,832,731
Allowance for uncollectible amounts (note 3)	(6,125,899)	-	-	-	(6,125,899)
Due from other funds (note 8)	1,217,254	459,000	-	-	1,676,254
Prepaid expenses and other assets	15,339	-	-	-	15,339
Restricted assets:					
Cash and temporary investments with trustee	-	4,261,100	-	-	4,261,100
Cash with State Set-Aside	22,851	-	-	-	22,851
Capital construction:					
Cash and temporary investments	-	-	34,045,417	-	34,045,417
Cash and temporary investments with trustee	-	-	10,723,191	-	10,723,191

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
Governmental Funds
June 30, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Advances to other funds (note 7):					
City Garage	297,854	-	-	-	297,854
Jordan Bridge	303,000	-	-	-	303,000
Advances to component units (note 7):					
Industrial Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	232,000	390,000	-	-	622,000
Chesapeake Port Authority	944,473	-	-	-	944,473
Allowance for doubtful accounts	(2,263,568)	-	-	-	(2,263,568)
Total assets	\$ 79,097,566	27,128,682	45,278,173	9,060,380	160,564,801
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	2,590,161	16,178	-	1,188,690	3,795,029
Deposits	2,815,086	-	-	47,821	2,862,907
Accrued expenditures (note 3)	4,328,325	251,943	-	-	4,580,268
Deferred revenues (note 5)	11,399,721	-	32,346	263,029	11,695,096
Payables from restricted assets:					
Matured certificates of participation payable	-	1,675,000	-	-	1,675,000
Matured interest payable	-	247,924	-	-	247,924
Construction projects payable (note 3)	-	-	560,200	-	560,200
Due to other funds (note 8)	-	-	459,000	1,217,254	1,676,254
Total liabilities	21,133,293	2,191,045	1,051,546	2,716,794	27,092,678
Fund balances					
Reserved (note 11)	6,426,892	3,143,755	18,484,704	664,207	28,719,558
Unreserved:					
Designated for debt service	-	21,793,882	-	-	21,793,882
Designated for construction projects	-	-	25,741,923	-	25,741,923
Designated for cash flow emergencies (note 6)	20,571,440	-	-	-	20,571,440
Designated for operating emergencies (note 6)	16,505,980	-	-	-	16,505,980
Designated	3,988,991	-	-	47	3,989,038
Undesignated	10,470,970	-	-	5,679,332	16,150,302
Total fund balances	57,964,273	24,937,637	44,226,627	6,343,586	133,472,123
Total liabilities and fund balances	\$ 79,097,566	27,128,682	45,278,173	9,060,380	160,564,801

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

Balance Sheet
 Governmental Funds
 June 30, 2002

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	\$ 133,472,123
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	983,362,525
Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the statement of net assets.	414,585
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.	10,873,467
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.	20,333,769
Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, are not reported in the funds.	(4,529,263)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(485,842,227)
Net assets of governmental activities	\$ 658,084,979

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

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CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 173,500,445	-	-	-	173,500,445
Other local taxes	84,713,380	-	-	1,499,023	86,212,403
Licenses, permits, and fees	1,763,541	-	-	133,720	1,897,261
Fines and forfeitures	2,154,515	-	-	-	2,154,515
Investment income	1,261,343	1,884,983	1,030,618	72,566	4,249,510
Revenues from use of property	215,642	148,265	-	-	363,907
Charges for services	6,595,400	-	-	3,985,204	10,580,604
Miscellaneous local revenues	168,958	889,805	-	24,094	1,082,857
Recovered costs	3,931,116	-	911,079	9,604	4,851,799
Program income	-	-	-	716,253	716,253
Revenues from local developers	-	-	899,776	-	899,776
Intergovernmental revenues:					
Commonwealth of Virginia	69,138,093	216,885	422,314	12,178,839	81,956,131
Federal government	151,821	-	-	13,583,407	13,735,228
Chesapeake Public Schools	1,048,715	448,351	-	-	1,497,066
Total revenues	344,642,969	3,588,289	3,263,787	32,202,710	383,697,755
EXPENDITURES					
Current:					
General government	74,734,693	-	-	4,807,869	79,542,562
Public safety	60,610,997	-	-	2,968,127	63,579,124
Public works	39,440,560	-	-	-	39,440,560
Parks	8,191,386	-	-	347,667	8,539,053
Public welfare	-	-	-	34,694,601	34,694,601
Education - Payments to Public Schools	113,957,175	7,268,658	-	-	121,225,833
Capital outlay	148,490	-	18,552,096	649,547	19,350,133
Debt service	2,331,591	45,178,430	-	-	47,510,021
Total expenditures	299,414,892	52,447,088	18,552,096	43,467,811	413,881,887
Excess (deficiency) of revenues over (under) expenditures	45,228,077	(48,858,799)	(15,288,309)	(11,265,101)	(30,184,132)

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2002

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	1,498,937	41,452,161	8,684,737	12,121,028	63,756,863
Proceeds from equipment capital leases	148,490	-	8,956,000	-	9,104,490
Proceeds from bond issuance	-	58,511,601	2,260,000	-	60,771,601
Transfers to other funds (note 8)	(60,623,748)	(1,253,340)	(455,045)	(2,219,382)	(64,551,515)
Payment to refunded bond escrow agent	-	(54,308,889)	-	-	(54,308,889)
Premiums on bonds issued	-	3,495,946	40,000	-	3,535,946
Total other financing sources (uses)	(58,976,321)	47,897,479	19,485,692	9,901,646	18,308,496
Net change in fund balances	(13,748,244)	(961,320)	4,197,383	(1,363,455)	(11,875,636)
Fund balance - beginning	71,712,517	25,898,957	40,029,244	7,707,041	145,347,759
Fund balance - ending	\$ 57,964,273	24,937,637	44,226,627	6,343,586	133,472,123

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2002

**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 \$ (11,875,636)

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 net assets. 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	(32,039,322)	
Capital outlay expenditures	22,700,321	
Donated assets	6,259,005	
Noncapitalizable assets related to closed projects	(3,078,987)	
Loss on disposal	(15,126)	
		(6,174,109)

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 decreased by this amount this year. (1,729,781)

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)	(64,101,295)	
Principal repayments	28,662,659	
Payment to escrow agent for refunding	54,308,889	
		18,870,253

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	422,968	
Compensated absences	(1,421,379)	
Net pension obligation	46,401	
		(952,010)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of certain activities of the internal service funds are reported with governmental activities. 176,188

In governmental funds, a capital lease arrangement is considered a source of financing. (9,104,490)

Change in net assets of governmental activities \$ (10,789,585)

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

Proprietary Fund Financial Statements

Major Enterprise Funds – Include Public Utilities, Chesapeake Expressway and Stormwater Management Funds.

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Assets
 Proprietary Funds
 June 30, 2002

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
ASSETS							
Current assets:							
Cash and temporary investments	\$ 12,564,585	173,967	2,737,931	1,871,048	17,347,531	21,842,588	
Receivables (note 3):							
Accounts	7,000,247	148,725	1,355,989	39,032	8,543,993	41,826	
Interest	105,600	70,986	30,501	-	207,087	66,043	
Allowance for uncollectible amounts	(642,138)	-	(51,779)	-	(693,917)	-	
Inventory of materials and supplies	535,367	-	-	7,541	542,908	409,675	
Prepaid expenses	35,004	-	-	-	35,004	660,192	
Total current assets	19,598,665	393,678	4,072,642	1,917,621	25,982,606	23,020,324	
Noncurrent assets:							
Restricted assets:							
Cash and temporary investments with trustee	-	1,281,271	-	-	1,281,271	-	
Cash restricted for debt service	5,397,950	-	-	-	5,397,950	-	
Cash restricted for debt service with trustee	-	3,325,839	-	-	3,325,839	-	
Capital construction:							
Cash and temporary investments	15,478,504	16,394	5,032,722	-	20,527,620	-	
Cash and temporary investments with trustee	-	2,371,573	-	-	2,371,573	-	
Total restricted assets	20,876,454	6,995,077	5,032,722	-	32,904,253	-	
Capital assets (note 4):							
Land	5,487,017	10,985,500	139,989	383,694	16,996,200	-	
Construction in progress	20,750,703	13,860	4,219,117	-	24,983,680	-	
Buildings	73,598	4,111,545	-	30,446	4,215,589	138,579	
Improvements other than buildings	1,164,945	-	-	73,793	1,238,738	271,122	
Equipment and vehicles	3,230,505	4,978,369	253,111	294,673	8,756,658	55,643,766	
Infrastructure	363,528,236	77,599,625	3,920,709	4,987,390	450,035,960	-	
Less accumulated depreciation	(86,769,563)	(5,174,892)	(289,851)	(3,016,688)	(95,250,994)	(36,152,729)	
Total capital assets, net of accumulated depreciation	307,465,441	92,514,007	8,243,075	2,753,308	410,975,831	19,900,738	
Other assets	628,881	194,719	-	-	823,600	-	
Total noncurrent assets	328,970,776	99,703,803	13,275,797	2,753,308	444,703,684	19,900,738	
Total assets	\$ 348,569,441	100,097,481	17,348,439	4,670,929	470,686,290	42,921,062	

(Continued)

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule E, Continued

Statement of Net Assets
 Proprietary Funds
 June 30, 2002

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
LIABILITIES AND NET ASSETS							
Liabilities							
Current liabilities:							
Accounts payable (note 3)	\$ 948,999	53,656	18,562	19,003		1,040,220	470,526
Accrued expenses and other liabilities (note 3)	432,636	981,879	11,288	7,447		1,433,250	-
Deposits (note 3)	258,062	-	-	-		258,062	-
Deferred revenues (note 5)	-	-	2,170,324	41,675		2,211,999	-
Construction projects payable (note 3)	33,765	16,919	156,885	-		207,569	-
Current portion of long-term debt (note 6)	3,526,067	-	-	-		3,526,067	-
Current portion of obligations under capital leases	-	-	-	-		-	1,330,002
Current portion of notes payable (note 6)	3,449	-	-	-		3,449	1,688,593
Current portion of accrued vacation, sick pay, and overtime leave	251,993	19,197	25,754	24,969		321,913	153,251
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-		-	2,867,000
Total current liabilities	5,454,971	1,071,651	2,382,813	93,094		9,002,529	6,509,372
Noncurrent liabilities:							
General obligation bonds (note 6)	72,918,873	-	-	-		72,918,873	-
Revenue bonds (note 6)	17,950,000	21,347,027	-	-		39,297,027	-
Accrual for arbitrage rebate (note 6)	39,360	13,860	-	-		53,220	-
Due to Commonwealth of Virginia (note 6)	-	71,281,187	-	-		71,281,187	-
Obligations under capital leases	-	-	-	-		-	4,266,671
Accrued vacation, sick pay, and overtime leave (note 6)	419,989	31,994	42,911	41,613		536,507	255,417
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-		-	11,466,000
Advances from General Fund (note 7)	-	-	-	303,000		303,000	297,854
Total noncurrent liabilities	91,328,222	92,674,068	42,911	344,613		184,389,814	16,285,942
Total liabilities	96,783,193	93,745,719	2,425,724	437,707		193,392,343	22,795,314
Net Assets							
Invested in capital assets, net of related debt	214,871,208	2,875,996	8,243,075	2,753,308		228,743,587	12,615,472
Restricted for:							
Capital projects	500,000	986,345	-	-		1,486,345	-
Debt service	5,397,950	1,720,339	-	-		7,118,289	-
Other purposes	31,017,090	769,082	6,679,640	-		38,465,812	-
Unrestricted	-	-	-	1,479,914		1,479,914	7,510,276
Total net assets	251,786,248	6,351,762	14,922,715	4,233,222		277,293,947	20,125,748
Total liabilities and net assets	\$ 348,569,441	100,097,481	17,348,439	4,670,929		470,686,290	42,921,062

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

\$ 277,293,947
 (208,021)
 \$ 277,085,926

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, 2002

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services:						
Sale of water	\$ 21,839,945	-	-	-	21,839,945	-
Billings to departments	-	-	-	-	-	20,541,906
Sewer service charges	7,679,816	-	-	-	7,679,816	-
Stormwater management fees	-	-	4,368,653	-	4,368,653	-
Tolls and tickets	-	5,854,195	-	1,109,997	6,964,192	-
Rental fees	949,440	-	-	-	949,440	-
Connection fees	3,764,896	-	-	-	3,764,896	-
Recreation fees	-	-	-	668,688	668,688	-
Other	397,317	15,279	-	1,798	414,394	191,181
Total operating revenues	34,631,414	5,869,474	4,368,653	1,780,483	46,650,024	20,733,087
OPERATING EXPENSES						
Cost of materials billed	-	-	-	-	-	3,867,320
Purchases for resale	8,424,260	-	-	43,861	8,468,121	-
Water production	5,072,356	-	-	-	5,072,356	-
Sewer maintenance and operation	3,422,749	-	-	-	3,422,749	-
Water maintenance and operation	2,035,158	-	-	-	2,035,158	-
Customer service	1,042,884	-	-	-	1,042,884	-
General and administrative	1,869,527	396,945	514,023	-	2,780,495	-
Technical services	1,117,181	-	158,178	-	1,275,359	-
Other salaries and wages	-	931,233	1,124,053	617,911	2,673,197	4,078,313
Other fringe benefits	-	287,917	374,871	175,038	837,826	1,156,986
Liability for self-insurance losses	-	-	-	-	-	3,150,821
Indemnity and medical claims	-	-	-	-	-	1,388,322
Other repairs and supplies	-	-	-	-	-	1,668,893
Equipment rental	-	87,600	95,885	47,601	231,086	317,452
Other contractual services	-	-	-	-	-	1,428,816
Depreciation and amortization	7,297,906	269,821	142	-	269,963	4,649,316
Insurance premiums	-	3,908,729	109,123	167,314	11,483,072	809,401

(Continued)

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule F, Continued

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2002

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
Recreation	-	-	-	236,487	-	236,487	-
Meter reading services	164,425	-	-	-	-	164,425	-
Other	8,088	21,852	-	216,926	-	246,866	632,784
Total operating expenses	30,454,534	5,904,097	2,376,275	1,505,138	-	40,240,044	23,148,424
Operating income (loss)	4,176,880	(34,623)	1,992,378	275,345	-	6,409,980	(2,415,337)
NONOPERATING REVENUES (EXPENSES)							
Investment income	1,404,545	282,595	252,275	24,842	-	1,964,257	705,637
Interest expense	(5,254,954)	(2,095,095)	-	-	-	(7,350,049)	(416,395)
Gain (loss) on sale of equipment	903	-	-	-	-	903	(1,726)
Total nonoperating revenues (expenses)	(3,849,506)	(1,812,500)	252,275	24,842	-	(5,384,889)	287,516
Income (loss) before transfers and contributions	327,374	(1,847,123)	2,244,653	300,187	-	1,025,091	(2,127,821)
Transfers in (note 8)	-	-	-	5,000	-	5,000	2,594,412
Transfers out (note 8)	(42,785)	(504,787)	(623,207)	(29,842)	-	(1,200,621)	(604,139)
Capital contributions	5,097,391	1,024,161	-	-	-	6,121,552	105,715
Increase (decrease) in net assets	5,381,980	(1,327,749)	1,621,446	275,345	-	5,951,022	(31,833)
Total net assets - beginning, as restated (note 18)	246,404,268	7,679,511	13,301,269	3,957,877	-	271,342,925	20,157,581
Total net assets - ending	\$ 251,786,248	6,351,762	14,922,715	4,233,222	-	277,293,947	20,125,748
Change in net assets of proprietary funds, Schedule F							
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							
Change in net assets of business-type activities, Schedule B							
						\$ 5,951,022	
						(208,021)	
						\$ 5,743,001	

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, 2002

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 33,916,096	8,737,369	4,621,759	1,756,238	49,031,462	20,610,434
Payments to suppliers	(17,105,734)	(731,816)	(782,872)	(568,231)	(19,188,653)	(12,570,135)
Payments to employees	(6,053,737)	(1,184,706)	(1,485,529)	(777,796)	(9,501,768)	(5,177,777)
Net cash provided by operating activities	10,756,625	6,820,847	2,353,358	410,211	20,341,041	2,862,522
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	463,079	-	-	5,000	468,079	300,402
Transfers out	(505,864)	(504,787)	(623,207)	(5,000)	(1,638,858)	(542,803)
Net cash used in noncapital financing activities	(42,785)	(504,787)	(623,207)	-	(1,170,779)	(242,401)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from obligations under equipment capital leases	-	-	-	-	-	1,246,665
Proceeds of refunding bonds	6,520,000	-	-	-	6,520,000	-
Proceeds from Commonwealth of Virginia	-	1,836,012	-	-	1,836,012	-
Reduction of arbitrage liability	(925)	(34,353)	-	-	(35,278)	-
Transfers in	-	-	-	-	-	2,294,010
Proceeds from sale of assets	-	-	-	-	-	46,149
Payment to escrow for refunding bonds	(5,700,000)	-	-	-	(5,700,000)	-
Payment in conjunction with bond refunding	(766,601)	-	-	-	(766,601)	-
Payment of bond issuance costs	(53,399)	-	-	-	(53,399)	-
Acquisition of capital assets	(7,406,224)	(3,254,013)	(1,711,156)	(88,204)	(12,459,597)	(3,326,984)
Federal donations	-	1,024,161	-	-	1,024,161	-
Decrease in construction projects payable	(532,607)	(3,355,877)	(16,770)	-	(3,905,254)	-
Interest paid	(5,281,736)	(1,680,318)	-	-	(6,962,054)	-
Repayments of obligations under capital leases	(3,450)	-	-	-	(3,450)	(416,395)
Repayments of notes payable	-	(1,161,382)	-	-	(1,161,382)	(1,128,280)
Repayments of long term debt	(3,441,559)	-	-	-	(3,441,559)	(1,688,593)
Net cash used in capital and related financing activities	(16,666,501)	(6,625,770)	(1,727,926)	(88,204)	(25,108,401)	(2,973,428)

(Continued)

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule G, Continued

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2002

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	1,438,949	316,837	256,149	24,842	2,036,777	717,548
Transfers out	-	-	-	(24,842)	(24,842)	(61,336)
Net cash provided by investing activities	1,438,949	316,837	256,149	-	2,011,935	656,212
Net increase (decrease) in cash and temporary investments	(4,513,712)	7,127	258,374	322,007	(3,926,204)	302,905
Cash and temporary investments beginning of year	37,954,751	7,161,917	7,512,279	1,549,041	54,177,988	21,539,683
Cash and temporary investments end of year	\$ 33,441,039	7,169,044	7,770,653	1,871,048	50,251,784	21,842,588
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 4,176,880	(34,623)	1,992,378	275,345	6,409,980	(2,415,337)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	7,297,906	3,908,729	109,123	167,314	11,483,072	4,649,316
Change in assets and liabilities increasing (decreasing) cash and temporary investments:						
Accounts receivable	(740,309)	2,867,895	232,653	(36,777)	2,323,462	510
Inventory of materials and supplies	69,147	-	-	553	69,700	66,461
Prepaid expenses and other assets	313	-	-	-	313	(175,875)
Accounts payable	(131,500)	45,635	(14,644)	(23,909)	(124,418)	(181,912)
Deferred revenues	-	-	(3,132)	12,532	9,400	-
Deposits	24,991	-	23,585	-	48,576	-
Accrued expenses and other liabilities	1,704	3,294	2,901	920	8,819	-
Liability for self insurance losses	-	-	-	-	-	985,000
Accrued vacation, sick pay, and overtime leave	57,493	31,150	10,494	14,233	113,370	57,522
Due to other funds	-	(1,233)	-	-	(1,233)	(123,163)
Total adjustments	6,579,745	6,855,470	360,980	134,866	13,931,061	5,277,859
Net cash provided by operating activities	\$ 10,756,625	6,820,847	2,353,358	410,211	20,341,041	2,862,522
Supplemental information on significant noncash transactions:						
Public Utilities Fund						
Contributions of capital assets	\$ 5,097,391					

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

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Fiduciary Fund Financial Statement

Agency Fund:

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



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CITY OF CHESAPEAKE, VIRGINIA

Schedule H

Statement of Fiduciary Net Assets

June 30, 2002

	Special Welfare
Assets	
Cash and temporary investments (note 2)	\$ 31,431
Total assets	\$ 31,431
Liabilities	
Due to children under foster care	\$ 31,431
Total liabilities	\$ 31,431

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

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Notes to Basic Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(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. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the City. All of the component units have a fiscal year end of June 30.

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

- The City of Chesapeake Industrial Development Authority (the IDA) was established under the Industrial Development and Revenue Bond Act, Code of the Commonwealth of Virginia. The IDA 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 IDA. The IDA 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 IDA. Separate audited financial statements are available for the City of Chesapeake Industrial Development Authority through the City's Department of Economic Development at 501 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.
- The Chesapeake Airport Authority (the Airport Authority) was established by action of the Commonwealth of Virginia Legislature to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also advanced the Airport Authority certain amounts and has provided the Airport Authority with a loan, both of which are still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. Separate audited financial statements are available for the Chesapeake Port Authority through the City's Department of Economic Development at 501 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

- The five Chesapeake Mosquito Control Commissions (the Commissions) were created to manage the City's insecticide programs. The Commissions include Deep Creek Borough, Washington Borough, Great Bridge Borough, South Norfolk Borough and Western Branch Borough. Each Commission has three board members, all of whom are appointed by the City Council. In addition, the City finances the operations of the Commissions through incremental property taxes. The Commissions do not issue separate audited financial statements.

Subsequent to year end, City Council voted to consolidate the five Commissions into one Commission. City Council appointed a transition team for the reorganization of mosquito control services.

Implementation of New Accounting Principles

GASB Statement No. 34

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

The government-wide statement of activities reflects both the gross and net costs per functional category (general government, public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services and operating and capital grants). The program revenues must be directly associated with a function (general government, public safety, public works, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenues. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal and covenant compliance, the source and use of liquid resources, and how the City's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

Internal service funds of the City are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are primarily consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (general government, public safety, public works, etc.). Surpluses or deficits in the internal service funds are allocated back to customers in the government-wide statement of activities.

The City's fiduciary fund (whose definition has been redefined and narrowed in scope) is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, this fund is not incorporated into the government-wide statements.

The focus of GASB Statement No. 34 is on the City as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary fund and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

GASB Statement No. 36

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

GASB Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either clarify certain provisions or modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

GASB Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

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 component units for which the primary government is financially accountable.

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 the fiduciary fund, 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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 30-45 days after year end. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the related fund liability is incurred.

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

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(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 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 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(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, activities of the Community Development Block Grant Program, individual grant programs, and rendering economic aid to certain qualifying citizens under several different programs.

The Permanent Fund accounts for the investment of funds donated to the City.

Nonmajor proprietary funds:

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

Internal Service Funds account for central computer and information technology services, central fleet management services for City-owned vehicles, services of the City's self-insurance program, and central storeroom services provided to other departments or agencies of the City on a cost-reimbursement basis. The Central Stores Internal Service Fund was eliminated as of June 30, 2002.

Nonmajor Fiduciary Fund:

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 a trustee capacity for these individual dependent children.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued***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 statements of net assets or balance sheets as "Cash and temporary investments." In addition, the City has restricted deposits held by trustees for future retirements of bonds at the appropriate call date, retirements of certain certificates of participation at maturity and construction projects.

Cash and temporary investments are stated at fair value, which is based on quoted market prices. For U.S. Government securities and bankers' acceptances 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 or as "internal balances" in the statement of net assets. All other outstanding balances between funds are reported as "due to/from other funds." Any 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 a receivable with a corresponding reservation of fund balance by the advancing fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

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 IDA advance of \$1,319,095 and the Port Authority advance of \$944,473.

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

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

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

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, 2001, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rates for 2002 were \$1.28 per \$100 of assessed value for properties serviced by the Mosquito Control Commissions and \$1.26 per \$100 of assessed value for properties not serviced by the Mosquito Control Commissions.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued*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, 2002 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rates for 2002 were \$4.08 per \$100 of assessed value for properties serviced by the Mosquito Control Commissions and \$4.00 per \$100 of assessed value for properties not serviced by the Mosquito Control Commissions.

Inventories and Prepaids

Inventory consists of expendable materials and supplies held for future consumption and is valued at cost using the first-in, first-out (FIFO) method.

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, 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. 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest expense was capitalized during fiscal year ended June 30, 2002.

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

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

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

City employees are granted vacation, sick pay, accrued overtime leave, and compensatory leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation, sick pay, accrued overtime leave, and compensatory leave earned and, upon retirement, termination or death, may be compensated for certain amounts at their most current rate of pay. The costs of accumulated vacation, overtime leave, and compensatory 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. Compensatory leave is paid up to 72 hours on December 31, when those records are purged. 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.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(1) Continued***Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net 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. Bonds payable are reported net of the applicable bond premium or discount and refunding costs. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and commitments in process at year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. However, fund balances in the fund financial statements at year end have been accordingly reserved.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(2) Deposits and Investments

Deposits

At year end, the carrying value of the City's pooled deposits with banks and savings and loans was \$32,939,902, and the bank balance was \$39,488,681. Of the bank balance, \$907,816, was covered by Federal Depositor Insurance Corporation (the FDIC). The bank balances exceeding those covered by FDIC are protected under the provisions of the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Both the carrying value and the bank balance of deposits shown as restricted cash at June 30, 2002 is \$6,424,288. All deposits are held by financial institutions in the City's name except for \$22,851 of restricted cash, which is being held by the Commonwealth of Virginia.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(2) Continued

Investments

Investments by type at year end are shown below:

	Category			Carrying Amount
	1	2	3	
Pooled investments:				
Corporate notes	\$ 7,781,708	–	–	7,781,708
U.S. Government securities	32,472,218	–	–	32,472,218
Money Market Deposit	3,456,029	–	–	3,456,029
Bankers acceptance	2,325,857	–	–	2,325,857
	46,035,812	–	–	46,035,812
Virginia State Non-Arbitrage Program				30,397,960
Local Government Investment Pool				103,206,157
Full Flex Repurchase Agreement - U.S. Bank Custodian				1,804,156
Evergreen/U.S. Government Portfolio				125,373
Parata Capital Management Portfolio				624,242
Total pooled investments				182,193,700
Restricted investments:				
Money Market Deposit	2,577,820	–	–	2,577,820
U.S. Government securities	1,799,525	–	–	1,799,525
	4,377,345	–	–	4,377,345
Money Market Fund				11,184,192
Total restricted investments				15,561,537
Total investments	\$ 50,413,157	–	–	197,755,237

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(2) Continued

The City's investments are categorized above to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered and for which the securities are held by the City or its safekeeping agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or safekeeping agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or safekeeping agent but not in the City's name.

The investments in Virginia State Non-Arbitrage Program (SNAP) and the Evergreen Money Market Funds within Parata and Evergreen Investment Advisors are SEC registered open-ended mutual funds. The Local Government Investment Pool (LGIP) is a 2a7 "like" investment pool. The Virginia Public School Authority bond covenants require the bond proceeds to be invested with the Virginia State Non-Arbitrage Program which is monitored by the Virginia Treasury Board. These external investment pools are not subject to categorization as to assumed risks because, in the aggregate, they are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form. The Full Flex Repurchase Agreement, a nonparticipating guaranteed investment contract is not considered an investment subject to credit risk as the underlying securities are held by the buyer-lender.

Shares purchased through the external investment pools maintain a fair value equal to the share value within these funds. The Local Government Investment Pool is audited by the Auditor of Public Accounts, and is under the supervision of the Virginia Treasury Board. All Money Market Funds have a fair market value equivalent to a \$1.00 share, and an average maturity of ninety days or less and are not subject to categorization.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(2) Continued

Amounts Relating to Component Units

The cash and investments of the Public Schools and the Mosquito Control Commissions' component units 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 \$2,642,045, have been excluded because categorization information is not available.

A reconciliation of the carrying value of deposits and investments as reported above to amounts reported in the statement of net assets and statement of fiduciary net assets for the reporting entity is as follows:

Deposits and investments reported above:	
Pooled deposits	\$ 32,939,902
Restricted deposits	6,424,288
Investments	197,755,237
Other component units	2,642,045
Total deposits and investments reported above	\$ 239,761,472
Per Exhibits A and H:	
Cash and temporary investments	\$ 143,764,501
Cash and temporary investments with trustee	6,085,671
Cash restricted for debt service	5,397,950
Cash restricted for debt service with trustee	3,325,839
Cash with State Set-Aside	22,851
Capital construction:	
Cash and temporary investments	68,069,896
Cash and temporary investments with trustee	13,094,764
Total capital construction	81,164,660
Total cash and temporary investments per Exhibits A and H	\$ 239,761,472

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(3) Accounts Receivable and Payable

Accounts receivable in the statement of net assets as of June 30, 2002 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 17,224,803	-
Due from Federal government	1,908,352	-
Due from customers	-	7,850,076
Property taxes receivable	8,384,422	-
Interest receivable	705,246	207,087
Other	5,547,736	-
Total accounts receivable	\$ 33,770,559	8,057,163

Accounts receivable in the governmental funds as of June 30, 2002 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 15,980,993	-	351,587	892,223
Due from Federal government	-	-	-	1,908,352
Property taxes receivable	8,384,422	-	-	-
Interest receivable	308,237	179,992	150,084	890
Other	5,296,233	-	7,894	201,783
Total accounts receivable	\$ 29,969,885	179,992	509,565	3,003,248

Accounts receivable in the proprietary funds as of June 30, 2002 are as follows:

	Due From Customers	Interest Receivable
Public Utilities Fund	\$ 6,358,109	105,600
Chesapeake Expressway Fund	148,725	70,986
Stormwater Management Fund	1,304,210	30,501
Other enterprise funds	39,032	-
Internal Service Funds	41,826	66,043
Total accounts receivable	\$ 7,891,902	273,130

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(3) Continued

Accounts payable and accrued expenses in the statement of net assets as of June 30, 2002 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 4,313,376	1,298,282
Accrued expenses, excluding interest	4,580,268	126,169
Construction projects payable	560,200	207,569
Accrued interest	4,777,187	1,307,081
Total accounts payable and accrued expenses	\$ 14,231,031	2,939,101

Accounts payable and accrued expenses in the governmental funds as of June 30, 2002 are as follows:

	Accounts Payable	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
General Fund	\$ 2,590,161	4,328,325	-	-
Debt Service Fund	16,178	251,943	-	4,777,187
Capital Projects Fund	-	-	560,200	-
Other governmental funds	1,236,511	-	-	-
Total accounts payable and accrued expenses	\$ 3,842,850	4,580,268	560,200	4,777,187

Accounts payable and accrued expenses in the proprietary funds as of June 30, 2002 are as follows:

	Accounts Payable	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 1,207,061	97,982	33,765	334,654
Chesapeake Expressway Fund	53,656	9,452	16,919	972,427
Stormwater Management Fund	18,562	11,288	156,885	-
Other enterprise funds	19,003	7,447	-	-
Internal Service Funds	470,526	-	-	-
Total accounts payable and accrued expenses	\$ 1,768,808	126,169	207,569	1,307,081

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(3) Continued

Property taxes receivable in the General Fund as of June 30, 2002 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 4,387,555	804,827	3,582,728
Personal property	8,666,503	3,864,809	4,801,694
Total property taxes receivable	\$ 13,054,058	4,669,636	8,384,422

The total allowance for uncollectible amounts in the General Fund is \$6,125,899, which includes a \$1,456,263 allowance for uncollectible emergency medical service fees.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 246,911,175	894,255	-	247,805,430
Construction in progress	45,192,443	18,799,835	(14,000,512)	49,991,766
Total capital assets, not being depreciated	292,103,618	19,694,090	(14,000,512)	297,797,196
Capital assets, being depreciated:				
Buildings	487,622,971	10,323,741	(21,915)	497,924,797
Improvements other than buildings	9,065,569	202,843	-	9,268,412
Equipment and vehicles	61,911,861	4,516,560	(492,514)	65,935,907
Infrastructure	904,302,319	8,582,756	-	912,885,075
Total capital assets, being depreciated	1,462,902,720	23,625,900	(514,429)	1,486,014,191
Less accumulated depreciation for:				
Buildings	(90,142,880)	(10,467,469)	8,126	(100,602,223)
Improvements other than buildings	(2,814,417)	(452,083)	-	(3,266,500)
Equipment and vehicles	(38,909,472)	(5,452,030)	436,862	(43,924,640)
Infrastructure	(612,437,705)	(20,317,056)	-	(632,754,761)
Total accumulated depreciation	(744,304,474)	(36,688,638)	444,988	(780,548,124)
Total capital assets, being depreciated, net	718,598,246	(13,062,738)	(69,441)	705,466,067
Capital assets, net	\$ 1,010,701,864	6,631,352	(14,069,953)	1,003,263,263

Depreciation expense for governmental activities was charged to functions of the primary government as follows:

General government	\$ 4,911,350
Public safety	245,319
Public works, including depreciation of general infrastructure assets	20,382,455
Public welfare	78,526
Parks	6,368
Education	6,415,304
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	4,649,316
Total depreciation expense, governmental activities	\$ 36,688,638

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

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

Functions	Project authorization	Expended to June 30, 2002	Committed	Required Future Financing
General government	\$ 19,983,922	6,978,923	13,004,999	none
Public safety	24,315,864	20,767,718	3,548,146	2,081,000
Public works	33,103,909	13,441,712	19,662,197	10,500,000
Parks	4,175,379	3,577,584	597,795	none
Public welfare	2,338,240	1,437,850	900,390	none
Education	39,516,223	3,787,979	35,728,244	none
Total	\$ 123,433,537	49,991,766	73,441,771	12,581,000

Business-type activities:

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 16,196,353	799,847	-	16,996,200
Construction in progress	29,830,577	11,991,563	(16,838,460)	24,983,680
Total capital assets, not being depreciated	46,026,930	12,791,410	(16,838,460)	41,979,880
Capital assets, being depreciated:				
Buildings	4,195,965	19,624	-	4,215,589
Improvements other than buildings	1,059,854	178,884	-	1,238,738
Equipment and vehicles	8,452,352	324,011	(19,705)	8,756,658
Infrastructure	428,953,538	21,082,422	-	450,035,960
Total capital assets, being depreciated	442,661,709	21,604,941	(19,705)	464,246,945
Less accumulated depreciation for:				
Buildings	(58,454)	(105,288)	-	(163,742)
Improvements other than buildings	(239,547)	(25,408)	-	(264,955)
Equipment and vehicles	(3,060,685)	(695,958)	19,705	(3,736,938)
Infrastructure	(80,474,215)	(10,611,144)	-	(91,085,359)
Total accumulated depreciation	(83,832,901)	(11,437,798)	19,705	(95,250,994)
Total capital assets, being depreciated, net	358,828,808	10,167,143	-	368,995,951
Capital assets, net	\$ 404,855,738	22,958,553	(16,838,460)	410,975,831

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

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

Public Utilities	\$	7,270,324
Stormwater Management		109,123
Chesapeake Expressway		3,891,037
Northwest River Park		307
Jordan Bridge		163,012
Recreation		3,995
<hr/>		
Total depreciation expense, business-type activities	\$	11,437,798

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$35,634,000 at June 30, 2002. There was no capitalized interest incurred this fiscal year related to construction in progress, however, there is \$2,247,492 of capitalized interest included in infrastructure assets in the Chesapeake Expressway Fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

Public Utilities Fund:

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 4,707,869	779,148	-	5,487,017
Construction in progress	20,420,912	7,041,623	(6,711,832)	20,750,703
Total capital assets, not being depreciated	25,128,781	7,820,771	(6,711,832)	26,237,720
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	1,059,854	105,091	-	1,164,945
Equipment and vehicles	3,056,894	193,316	(19,705)	3,230,505
Infrastructure	352,431,064	11,097,172	-	363,528,236
Total capital assets, being depreciated	356,621,410	11,395,579	(19,705)	367,997,284
Less accumulated depreciation for:				
Buildings	(13,369)	(2,496)	-	(15,865)
Improvements other than buildings	(239,547)	(24,937)	-	(264,484)
Equipment and vehicles	(2,441,070)	(175,778)	19,705	(2,597,143)
Infrastructure	(76,824,958)	(7,067,113)	-	(83,892,071)
Total accumulated depreciation	(79,518,944)	(7,270,324)	19,705	(86,769,563)
Total capital assets, being depreciated, net	277,102,466	4,125,255	-	281,227,721
Capital assets, net	\$ 302,231,247	11,946,026	(6,711,832)	307,465,441

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

Chesapeake Expressway Fund:

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,973,356	12,144	-	10,985,500
Construction in progress	5,952,986	3,244,384	(9,183,510)	13,860
Total capital assets, not being depreciated	16,926,342	3,256,528	(9,183,510)	10,999,360
Capital assets, being depreciated:				
Buildings	4,111,545	-	-	4,111,545
Equipment and vehicles	4,853,274	125,095	-	4,978,369
Infrastructure	68,543,725	9,055,900	-	77,599,625
Total capital assets, being depreciated	77,508,544	9,180,995	-	86,689,539
Less accumulated depreciation for:				
Buildings	(34,263)	(102,792)	-	(137,055)
Equipment and vehicles	(164,256)	(494,504)	-	(658,760)
Infrastructure	(1,085,336)	(3,293,741)	-	(4,379,077)
Total accumulated depreciation	(1,283,855)	(3,891,037)	-	(5,174,892)
Total capital assets, being depreciated, net	76,224,689	5,289,958	-	81,514,647
Capital assets, net	\$ 93,151,031	8,546,486	(9,183,510)	92,514,007

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

Stormwater Management Fund:

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 131,434	8,555	-	139,989
Construction in progress	3,451,466	1,705,556	(937,905)	4,219,117
Total capital assets, not being depreciated	3,582,900	1,714,111	(937,905)	4,359,106
Capital assets, being depreciated:				
Equipment and vehicles	247,511	5,600	-	253,111
Infrastructure	2,991,359	929,350	-	3,920,709
Total capital assets, being depreciated	3,238,870	934,950	-	4,173,820
Less accumulated depreciation for:				
Equipment and vehicles	(173,609)	(21,445)	-	(195,054)
Infrastructure	(7,122)	(87,678)	3	(94,797)
Total accumulated depreciation	(180,731)	(109,123)	3	(289,851)
Total capital assets, being depreciated, net	3,058,139	825,827	3	3,883,969
Capital assets, net	\$ 6,641,039	2,539,938	(937,902)	8,243,075

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(4) Continued

Discretely presented component unit - Public Schools:

	Beginning Balances, as Restated	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 13,954,283	-	-	13,954,283
Construction in progress	-	16,573,752	-	16,573,752
Total capital assets, not being depreciated	13,954,283	16,573,752	-	30,528,035
Capital assets, being depreciated:				
Buildings	4,649,301	-	-	4,649,301
Improvements other than buildings	2,433,648	-	-	2,433,648
Furniture, equipment, vehicles, and textbooks	44,978,940	2,801,914	3,048,977	44,731,877
Total capital assets, being depreciated	52,061,889	2,801,914	3,048,977	51,814,826
Less accumulated depreciation for:				
Buildings	(4,621,123)	(8,692)	-	(4,629,815)
Improvements other than buildings	(1,455,832)	(119,399)	-	(1,575,231)
Furniture, equipment, vehicles, and textbooks	(23,776,398)	(4,816,406)	2,967,476	(25,625,328)
Total accumulated depreciation	(29,853,353)	(4,944,497)	2,967,476	(31,830,374)
Total capital assets, being depreciated, net	22,208,536	(2,142,583)	(81,501)	19,984,452
Capital assets, net	\$ 36,162,819	14,431,169	(81,501)	50,512,487

Depreciation expense of \$4,944,497 was charged to the Public Schools' governmental functions.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(5) Deferred Revenues

Deferred revenues for the primary government's fund-based financial statements are comprised of the following:

		General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds
Taxes	\$	5,163,622	-	-	-
Personal Property Tax Relief Act		5,366,285	-	-	-
Emergency medical service fees		343,560	-	-	-
Stormwater management fees		-	-	-	2,170,324
Other		526,254	263,029	32,346	41,675
Total deferred revenues	\$	11,399,721	263,029	32,346	2,211,999

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2002 follows:

	Balances at July 1, 2001	Increases	Decreases	Balances at June 30, 2002	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 385,511,930	60,771,601	(72,745,398)	373,538,133	20,281,360
Deferred amounts:					
Add bond premiums	-	3,535,946	(105,206)	3,430,740	217,649
Refunding cost	-	(3,448,889)	313,539	(3,135,350)	(313,535)
Total bonds payable	385,511,930	60,858,658	(72,537,065)	373,833,523	20,185,474
Other long-term obligations:					
Net pension obligation	1,736,545	12,528,081	(12,574,482)	1,690,144	-
Certificates of participation	9,305,000	-	(1,675,000)	7,630,000	1,760,000
Notes payable	3,900,053	-	(1,888,527)	2,011,526	2,011,526
Arbitrage	877,483	-	(461,905)	415,578	232,801
Compensated absences	11,055,220	8,872,939	(7,394,038)	12,534,121	4,700,291
Literary loans	8,124,820	-	(649,493)	7,475,327	649,493
Capital leases	5,743,996	10,351,155	(1,734,209)	14,360,942	2,551,438
Capital leases to component unit	44,945,000	-	(2,165,000)	42,780,000	2,270,000
Supplemental Payments Agreements	29,400,000	-	(820,000)	28,580,000	860,000
Liability for self-insurance losses	13,348,000	4,539,143	(3,554,143)	14,333,000	2,867,000
Section 108 loan payable	2,425,000	-	(200,000)	2,225,000	215,000
Total long-term obligations	\$ 516,373,047	97,149,976	(105,653,862)	507,869,161	38,303,023

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2002 follows:

	Balances at July 1, 2001	Increases	Decreases	Balances at June 30, 2002	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 78,382,922	6,520,000	(8,476,559)	76,426,363	2,911,245
Revenue bonds	19,315,000	—	(665,000)	18,650,000	700,000
	97,697,922	6,520,000	(9,141,559)	95,076,363	3,611,245
Deferred amounts:					
Less bond discounts	—	(23,234)	2,581	(20,653)	(2,581)
Less refunding costs	—	(743,367)	82,597	(660,770)	(82,597)
Total bonds payable	97,697,922	5,753,399	(9,056,381)	94,394,940	3,526,067
Notes payable	6,899	—	(3,450)	3,449	3,449
Arbitrage	40,285	—	(925)	39,360	—
Compensated absences	614,489	610,819	(553,326)	671,982	251,993
	98,359,595	6,364,218	(9,614,082)	95,109,731	3,781,509
Chesapeake Expressway:					
Revenue bonds	21,630,000	—	—	21,630,000	—
Less bond discounts	(293,453)	—	10,480	(282,973)	—
Total bonds payable	21,336,547	—	10,480	21,347,027	—
Due to Commonwealth of Virginia	70,606,557	1,836,012	(1,161,382)	71,281,187	—
Arbitrage	48,213	—	(34,353)	13,860	—
Compensated absences	20,041	46,225	(15,075)	51,191	19,197
	92,011,358	1,882,237	(1,200,330)	92,693,265	19,197
Stormwater:					
Compensated absences	58,171	73,117	(62,623)	68,665	25,754
Nonmajor business-type activities:					
Compensated absences	52,349	37,687	(23,454)	66,582	24,969
Total long-term obligations	\$ 190,481,473	8,357,259	(10,900,489)	187,938,243	3,851,429

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2002 follows:

	Balances at July 1, 2001	Increases	Decreases	Balances at June 30, 2002	Due Within One Year
Early retirement plan	\$ 5,037,540	–	(982,510)	4,055,030	653,111
Compensated absences	16,733,766	2,798,792	(1,034,862)	18,497,696	885,000
Net pension obligation	92,533	1,622,620	(1,620,786)	94,367	–
Notes payable	954,050	–	(477,025)	477,025	477,025
Liability for self-insurance losses	601,351	3,394,625	(3,700,438)	295,538	295,538
Capital leases	3,716,349	1,472,671	(1,496,490)	3,692,530	1,436,471
Total long-term obligations	\$ 27,135,589	9,288,708	(9,312,111)	27,112,186	3,747,145

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. The City of Chesapeake recorded the sale of school bonds to the Virginia Public School Authority as “other financing sources” in the City’s Debt Service Fund.

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 any school property that is purchased with City long-term obligations. However, the Public Schools are still tasked with all care, management, and control over these properties.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements

June 30, 2002

(6) Continued

(b) Outstanding bonds and loans at June 30, 2002 are comprised of the following issues:

	Remaining interest rates	Amount outstanding
Governmental activities - General Obligation bonds		
1992 Public Improvement bonds	5.25% - 6.00% \$	2,000,000
1993 Public Improvement Refunding bonds	4.88% - 5.50%	36,123,638
1993A Public Improvement bonds	5.00% - 5.65%	1,650,000
1994 Public Improvement bonds	5.00% - 7.00%	8,580,000
1994A School bonds	6.10% - 6.60%	5,482,894
1995 Public Improvement bonds	4.90% - 6.75%	37,470,000
1995 School bonds	5.40% - 5.63%	100,000,000
1996 Public Improvement bonds	5.00% - 6.50%	49,000,000
1996A School bonds	5.10% - 6.10%	8,910,000
1997A School bonds	5.10% - 6.10%	13,680,000
1998 Public Improvement bonds	4.20% - 5.13%	19,325,000
1998A School bonds	4.35% - 5.10%	6,970,000
1999A School bonds	5.10% - 6.10%	9,000,000
2000A School bonds	5.10% - 5.60%	7,775,000
2001A School bonds	4.10% - 5.60%	6,800,000
2001 B School bonds	3.10% - 5.35%	1,736,601
2001 Public Improvement bonds	5.00% - 5.50%	2,260,000
2001 Public Improvement Refunding bonds	5.00% - 5.50%	51,450,000
2002A School bonds	3.60% - 5.60%	5,325,000
		373,538,133
Add unamortized bond premium		3,430,740
Less deferred refunding costs		(3,135,350)
Total general obligation bonds, governmental activities	\$	373,833,523
Governmental activities - literary loans		
School literary loans, collateralized by certain school buildings	3.00% \$	7,475,327
Business-type activities		
Public Utilities - General Obligation bonds and Revenue bonds:		
1992 Water and Sewer Revenue Refunding bonds	6.30% - 6.60% \$	10,625,000
1993 Public Improvement Refunding bonds	4.88% - 5.50%	7,776,363
1994 Water and Sewer Revenue Refunding bonds	4.55% - 5.15%	8,025,000
1995A Water and Sewer bonds	5.00% - 7.00%	62,200,000
2001 Water and Sewer Refunding bonds	3.00% - 4.25%	6,450,000
		95,076,363
Less unamortized bond discount		(20,653)
Less deferred refunding costs		(660,770)
Total Public Utilities bonds	\$	94,394,940
Chesapeake Expressway- Revenue bonds:		
1999A Toll Road Revenue bonds	5.63% \$	21,630,000
Less unamortized bond discount		(282,973)
Total Chesapeake Expressway bonds	\$	21,347,027

Exhibit I

Callable	Noncallable	Call premium
—	2,000,000	—
—	36,123,638	—
1,100,000	550,000	.00% - 2.00%
6,550,000	2,030,000	.25% - 2.00%
—	5,482,894	—
29,970,000	7,500,000	.50% - 2.00%
92,000,000	8,000,000	.00% - 2.00%
35,000,000	14,000,000	.00% - 2.00%
5,355,000	3,555,000	.00% - 3.00%
7,695,000	5,985,000	.00% - 3.00%
13,090,000	6,235,000	.00% - 2.00%
4,100,000	2,870,000	.00% - 2.00%
5,000,000	4,000,000	.00% - 2.00%
5,060,000	2,715,000	.00% - 2.00%
4,270,000	2,530,000	.00% - 2.00%
924,345	812,256	.00% - 2.00%
1,865,000	395,000	.00%
18,410,000	33,040,000	.00%
3,350,000	1,975,000	.00% - 1.00%
233,739,345	139,798,788	
—	7,475,327	—
10,625,000	—	.00% - 2.00%
—	7,776,363	—
7,490,000	535,000	.00% - 2.00%
56,400,000	5,800,000	.00% - 2.00%
—	6,450,000	—
74,515,000	20,561,363	
20,405,000	1,225,000	.00% - 1.00%

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Exhibit I

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

(c) The following table summarizes the City's future debt service requirements for general obligation bonds, revenue bonds, and literary loans for governmental activities and business-type activities.

Year ending June 30:	Bonds		Literary loans		Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 20,281,360	19,812,379	649,493	224,260				
2004	21,567,773	18,935,055	549,493	204,775				
2005	22,657,430	17,756,967	549,493	188,290				
2006	23,634,135	16,447,634	549,493	171,805				
2007	25,169,763	15,148,040	549,493	155,321				
2008-2012	135,966,297	54,600,722	2,707,550	529,332				
2013-2017	105,929,226	17,944,157	1,321,705	197,572				
2018-2022	17,917,149	1,587,163	598,607	35,916				
2023-2027	415,000	10,583	-	-				
2028-2032	-	-	-	-				
2033-2037	-	-	-	-				
	\$ 373,538,133	162,242,700	7,475,327	1,707,271				
					95,076,363	64,084,992	21,630,000	25,528,500

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

- (d) In November 2001, the City sold \$1,736,601 general obligation school bonds to the Virginia Public School Authority at a true interest cost of 4.52% with a premium of \$32,057. The bonds were issued to fund renovations in three elementary schools. Based on the City's earlier application for a literary loan with a 3% annual interest rate, the City will receive \$241,302 from the Literary Fund of the Commonwealth of Virginia in connection with the 2002 Interest Rate Subsidy Program. This subsidy represents the net present value difference between the loan and bond rates. The City will receive this subsidy after all of these bond proceeds have been expended.
- (e) In December 2001, the City issued \$51,450,000 of public improvement refunding bonds with a true interest cost of 4.66% to refund various outstanding issues with interest rates from 5.00% to 7.00%. The net proceeds of \$54,308,889 (after a premium of \$3,268,324 and payment of \$409,435 for underwriting fees and other issuance costs) were used to purchase U.S. securities and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. An additional \$154,460 was received for accrued interest. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net assets. On June 30, 2002, \$49,310,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$3,448,889. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding resulted in an economic loss of \$670,435 and an increase of \$11,367,080 in future debt service payments. Of the \$50,860,000 bonds refunded, \$25,242,000 of the bonds were considered to be restructured as they did not result in debt service savings, but the City chose to refund these maturities to improve their ability to meet budgetary requirements. This issuance resulted in a cash flow savings from fiscal years 2002-2006 totaling \$15,964,233.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2002

(6) Continued

The amounts refunded/restructured and earliest call dates are as follows:

	Maturity Date	Principal Amount Re funded	Call Date
1992 Public Improvement Bonds	2003-2008	\$ 18,410,000	8/1/2002
1993 Public Improvement Bonds	2005-2010	3,800,000	12/1/2002
1994 Public Improvement Bonds	2002-2012	27,090,000	5/1/2004
1995 Public Improvement Bonds	2003, 2006	1,560,000	5/1/2005
Total		\$ 50,860,000	

- (f) In December 2001, the City issued \$6,520,000 of general obligation water and sewer refunding bonds with a true interest cost of 4.23% to refund various 1995A Water and Sewer bonds with interest rates of 7%. The net proceeds of \$6,443,367 (after an original issue discount of \$23,234 and payment of \$53,399 for underwriting fees and other issuance costs) were used to purchase U.S. securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accrued interest amounted to \$14,468. As a result, 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. On June 30, 2002, \$5,700,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$743,367. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the remaining life of the refunded debt. This advance refunding resulted in an economic gain of \$212,286 and a reduction of \$254,706 in future debt service payments. Revenues from the Public Utilities fund, a business-type activity, have been pledged on a junior lien basis towards payment of principal and interest, thus these bonds are self-supporting.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

The amounts refunded and earliest call dates are as follows:

Bond	Maturity Date	Principal Amount Refunded	Call Date
1995A Water & Sewer Public Improvement Bonds	2007-2009	\$ 5,700,000	12/1/2005

- (g) In December 2001, the City issued \$2,260,000 general obligation public improvement bonds at a true interest cost of 5.08% with a premium of \$58,407. Of this premium, \$40,000 was recorded in the Capital Projects Fund and \$18,407 was recorded in the Debt Service Fund. The bonds were issued to fund the Police Training Academy Firing Range.
- (h) In May 2002, the City sold \$5,325,000 general obligation school bonds to the Virginia Public School Authority at a true interest cost of 4.80% with a premium of \$177,158. The bonds were issued to fund the renovation and construction of an addition to an existing middle school.
- (i) In July 1999, the City sold \$21,630,000 Chesapeake Expressway Toll Road Revenue Bonds with a stated interest rate of 5.625%. An original issue discount of \$314,414 was offered, for a true interest rate on the issue of 5.824%. The bonds, together with state and federal funds, will finance a \$116 million toll road project. This toll road began operations in 2001. Revenues of the Chesapeake Expressway Enterprise Fund will be used as set forth in the indenture of trust to fund operations and maintenance and debt service on the toll road revenue bonds.

In addition, the City entered into a “City-State Agreement” with 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, 2002 amounted to \$71,281,187. Revenues generated from the project were used to make a \$1,161,382 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

(j) 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. 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 an \$820,000 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, 2002.

Fiscal year ending June 30:	
2003	\$ 2,329,120
2004	2,326,120
2005	2,331,120
2006	2,328,620
2007	2,328,870
2008-2012	11,642,100
2013-2017	11,644,790
2018-2022	11,639,600
<hr/>	
Total payments	46,570,340
Less amounts representing interest	17,990,340
<hr/>	
	\$ 28,580,000
<hr/>	

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

- (k) In November 1996, the City financed a new Chesapeake Circuit Court Building through financing arrangements with the the IDA, a component unit of the City. Under the arrangement, the IDA issued \$24,460,000 in public facility lease revenue bonds to finance the construction, and the City leases the building from the IDA. 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, 2002, \$20,450,000 was outstanding.
- (l) In June 1994, the City financed a 320-bed addition to the City jail through a financing arrangement with the IDA. Under the arrangement, the IDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the IDA. 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, 2002, \$22,330,000 was outstanding.

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. Total reimbursement to the City will be \$16,078,836, to be reimbursed on an installment basis for 20 years, and subject to General Assembly approval. Total reimbursements of \$6,708,024 have been received to date by the City as of June 30, 2002. The current year reimbursement was \$827,665.

- (m) On July 1, 1986, the City issued \$23,380,000 in Certificates of Participation maturing July 1, 2006. The proceeds of these certificates were deposited with a trustee under a trust agreement and used to finance the construction of the city hall building and a juvenile courts building. On February 15, 1993, the City refinanced \$15,505,000 of the 1986 Certificates of Participation by issuing \$17,420,000 of 1993 Certificates of Participation.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

Subsequent to the refunding, future debt service requirements related to the refunding certificates and original certificates not defeased are as follows:

Fiscal years:	
2003	\$ 2,169,585
2004	2,172,185
2005	2,173,870
2006	2,173,300
<hr/>	
Total payments	8,688,940
Less amounts representing interest	1,058,940
<hr/>	
	\$ 7,630,000

The certificates of participation bear interest at rates from 5.15% to 5.50%. Principal and interest are payable semiannually on January 1 and July 1 of each year. A debt service reserve recorded in the Debt Service Fund of \$2,338,177 is maintained by the City with a trustee.

(n) Notes payable at June 30, 2002 consisted of the following:

Primary government:	
Governmental activities	\$ 2,011,526
<hr/>	
Business-type activities - Public Utilities Fund	3,449
<hr/>	
Total notes payable - primary government	\$ 2,014,975
<hr/>	
Component unit - Public Schools	\$ 477,025

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

During 1998, the City and Public Schools refinanced a line of credit agreement with a bank to provide financing for equipment purchases for various departments of the City and Public Schools. The maximum borrowings available under the line of credit are \$15,000,000 and expires in 2003. The line of credit originally bore interest at the Tax-Exempt Note Rate plus .45%. Effective May 1, 2000, the Note was modified by Resolution to provide for the interest rate to be based on the Bond Market Association Short Term Tax-Exempt Index plus .45%. At June 30, 2002, the interest rate was 1.68%. The facility is secured by the equipment purchased allowing the lender to take the equipment in the event the City or Public Schools does not appropriate payment during the five-year period. At June 30, 2002, \$2,492,000 was outstanding. Payments on the notes payable are budgeted for and paid by the City's and Public Schools' operating departments.

The following is the minimum payment due for the final installment under the notes payable:

Fiscal year	Governmental Activities	Business-Type Activities - Public Utilities	Component Unit - Public Schools	Total
2003	\$ 2,112,104	3,622	500,876	2,616,602
Less amounts representing interest	100,578	173	23,851	124,602
	\$ 2,011,526	3,449	477,025	2,492,000

- (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, 2002 were the settlement date, and reflected the liability either in the Public Utilities Fund, Chesapeake Expressway Fund, or in the governmental activities column of the statement of net assets, depending on the bond issue and timing of payment. The fund balance in the debt service fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the statement of net assets. For obligations of the Public Utilities Fund and the Chesapeake Expressway Fund, long-term liabilities have been established.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

- (p) The future payments by year of accumulated vacation, sick pay and accrued overtime leave, arbitrage, early retirement plan, net pension 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 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 the liability for Self-Insurance losses are generally liquidated by the General Fund. The early retirement plan is liquidated by the Public Schools, a component unit.
- (q) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of nonreferendum bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 8% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 30, 2001 was \$21,960,000. Any bonds or notes in excess of this amount must either be intended to refund other debt or be supported by a referendum. In any event, however, the total amount of bonds and notes that can be issued by the City is limited to 10% of assessed valuation of real estate. Contractual obligations, other than bonds and notes, are excluded from the City's nonreferendum annual borrowing limit. The total charter bonds authorized but unissued are \$92,102,381 as of June 30, 2002.

The City charter also requires that a minimum of 6% of the total General Fund revenue be designated in the annual operating budget for emergency use and cash flow needs throughout the fiscal year. In addition, the City Council has established that an additional 5% of the total General Fund revenue be designated for emergency operating purposes. However, in fiscal year 2002, the City Council voted to cap this 5% designated fund balance for operating emergencies at the June 30, 2001 balance of \$16,505,980.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

(r) In October 1996, the City entered into a Section 108 loan in the amount of \$3,100,000. These funds were used for Community Development and will be repaid in annual installments through August 2010 with remaining interest rates ranging from 6.23% to 6.78%. The following is a schedule of future loan payments as of June 30, 2002:

Fiscal year ending June 30:	
2003	\$ 352,321
2004	353,368
2005	353,320
2006	352,196
2007	354,819
2008-2011	1,101,719
<hr/>	
Total payments	2,867,743
Less amounts representing interest	642,743
<hr/>	
	\$ 2,225,000

(s) Computation of Legal Debt Margin

Assessed valuation - real estate	\$ 11,262,033,169
<hr/>	
Legal debt limit -	
10% of assessed valuation	\$ 1,126,203,317
Amount of debt applicable to legal debt limit:	
General bonded debt	\$ 497,719,823
Add -	
Long-term payables	2,492,000
Less:	
Self-supporting debt not chargeable to debt limit	108,930,000
Amounts available for debt service	21,793,882
<hr/>	
	369,487,941
<hr/>	
Legal debt margin available	\$ 756,715,376
<hr/>	
Percent of:	
Legal debt margin outstanding	32.8%
Legal debt margin available	67.2%
<hr/>	
	100.0%
<hr/>	
Summary of assessed valuation:	
Public service real estate	\$ 734,252,870
Other city real estate	10,527,780,299
<hr/>	
	\$ 11,262,033,169

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

- (t) In November 1994, \$76,900,000 of Road Improvement Bonds were authorized by referendum. As of June 30, 2002, \$23,649,800 of these bonds remain unissued. Subsequent to year end, City Council approved a request to the Circuit Court to extend this authorization for two years beyond the scheduled expiration date of November 2002. This request was approved by the Circuit Court in October 2002.
- (u) Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures.
- (v) Certain component units have significant outstanding long-term debt as follows:

On November 20, 1996, the IDA 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 new facility. The remaining interest rates on the bonds vary from 4.70% to 6.25%. At June 30, 2002, \$20,450,000 was outstanding, \$14,230,000 of which is callable.

On June 1, 1994, the IDA 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 new facility. The remaining interest rates on the bonds vary from 5.1% to 6.0%. At June 30, 2002, \$22,330,000 was outstanding, \$19,550,000 of which is 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, will fund 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, 2002, \$2,335,000 was outstanding, \$1,650,000 of which is callable.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(6) Continued

In August 1991, the Chesapeake Port Authority issued \$3,250,000 of Bond Anticipation Notes, guaranteed by the City, to finance an acquisition of land on the southern branch of the Elizabeth River. The notes were originally due in August 1992, but were extended to July 31, 2001. On August 1, 2001, these bonds were paid in full.

(7) Advances on Behalf of Payments made by the General Fund

The General Fund has made the following advances:

City Garage Fund

This represents an advance of \$297,854 to provide initial working capital. A repayment plan has not been established. A reservation of fund balance has been made in the General Fund for this amount.

Jordan Bridge Fund

This represents advances of \$303,000 to provide capital for emergency repairs to the Jordan Bridge. A repayment plan has not been established. A reservation of fund balance has been made in the General Fund for this amount.

Component Unit – Chesapeake Airport Authority

An advance of \$232,000 was made in 1992 for a runway extension and will be repaid upon the sale of property owned by the Airport Authority. After the property sale, the Airport Authority will make annual payments to the City of one-fifteenth of the remaining advance after reducing the advance by the net proceeds from the sale. If the Airport Authority does not sell this property, annual payments of \$15,467 will begin on December 15, 2005 and will continue each year until the advance is repaid in full, which would be no later than December 15, 2019. A reservation of fund balance has been made in the General Fund for this amount.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2002

(7) Continued

On June 21, 2000, the City Council approved a \$390,000 non-interest bearing loan to the Airport Authority for capital improvements. Semi-annual payments of \$19,500 will begin on June 15, 2005 and continue each year until the loan is repaid in full, which would be no later than December 15, 2014. A reservation of fund balance has been made in the Debt Service Fund for this amount. The City also budgeted and made payments of \$313,000 on behalf of the Airport Authority during fiscal year 2002. The City does not intend to collect these payments from the Airport Authority.

Component Unit – Chesapeake Port Authority

Advances of \$944,473 have been made 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 City made payments of \$13,266 on behalf of the Port Authority during fiscal year 2002. The City does not intend to collect these payments from the Port Authority.

Component Unit – City of Chesapeake Industrial Development Authority

On May 13, 1986, the City Council approved an advance to the IDA in a maximum amount of \$1,500,000. At June 30, 2002, \$1,319,095 is outstanding. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the City made payments of \$680,404 on behalf of the Authority during fiscal year 2002. The City does not intend to collect these payments from the IDA.

Advances from the primary government to its component units as reported on the statement of net assets as of June 30, 2002 is summarized as follows:

Advances to Airport Authority	\$	622,000
Advance to Port Authority		944,473
Advance to IDA		1,319,095
Total advances to component units		2,885,568
Less allowance for uncollectible amounts		(2,263,568)
Net advances to component units	\$	622,000

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(8) Interfund Balances and Transfers

Interfund balances and transfers between governmental funds and interfund balances and transfers between enterprise funds are not included in the government-wide statement of net assets or the government-wide statement of activities.

Individual fund interfund receivable and payable balances for the primary government at June 30, 2002 are as follows:

Due From Other Funds	Due To Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	1,217,254
Debt Service Fund	459,000	-
Total interfund balances	\$ 459,000	1,217,254

These interfund balances are a result of both operating transfers and temporary capital project funding. The amount due from the nonmajor governmental funds of \$1,217,254 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 will accrue interest and be 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 paid in the current year was \$442,552.

Notes to Basic Financial Statements
June 30, 2002

(8) Continued

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. These interfund transfers for the year ended June 30, 2002 are as follows:

	Transfers To Other Funds										Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Public Utilities Fund	Chesapeake Expressway Fund	Stormwater Management Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total	
General Fund	-	-	-	429,233	-	442,942	-	24,842	601,920	1,498,937	
Debt Service Fund	40,554,564	-	455,045	442,552	-	-	-	-	-	41,452,161	
Capital Projects Fund	7,137,166	1,253,340	-	294,231	-	-	-	-	-	8,684,737	
Nonmajor governmental funds	10,961,987	-	-	1,053,366	35,000	-	70,675	-	-	12,121,028	
Nonmajor enterprise funds	-	-	-	-	-	-	-	5,000	-	5,000	
Internal Service Funds	1,970,031	-	-	-	7,785	61,845	552,532	-	2,219	2,594,412	
Total	60,623,748	1,253,340	455,045	2,219,382	42,785	504,787	623,207	29,842	604,139	66,356,275	

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(9) Leases

The City and Public Schools component unit lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2002, the City's fixed assets from governmental activities include \$54,665,000 of buildings leased from component units and leased equipment of \$16,384,357. Current year amortization expense for leased assets is \$2,225,000 and is included in depreciation expense. Accumulated amortization expense for these assets is \$4,989,000.

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for governmental activities as of June 30, 2002 are as follows:

	Capital	Operating
Fiscal years:		
2003	\$ 7,830,761	\$ 328,649
2004	7,831,382	163,709
2005	7,828,817	49,440
2006	7,462,198	29,793
2007	6,464,288	-
2008-2012	25,585,898	-
2013-2017	15,443,550	-
Total future minimum lease payments	78,446,894	<u>\$ 571,591</u>
Less amounts representing interest	21,305,952	
Present value of minimum capital lease payments	<u>\$ 57,140,942</u>	

Included in the above lease payments schedule is the lease purchase financing of \$8,956,000 to partially fund the construction of a \$20,000,000 emergency communications system. The lease purchase financing for the 800 MHz digital radio system has a term of seven years, an annual interest rate of 4.38%, with semi annual level debt service payments.

Total governmental operating lease payments for the year ended June 30, 2002 were \$698,504.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(9) Continued

At June 30, 2002, the Public Schools fixed assets include \$3,990,490 of equipment financed under capital leases. The future minimum capital lease payments and the present value of minimum capital lease payments for the Public Schools as of June 30, 2002 are as follows:

Fiscal years:		
2003	\$	1,545,028
2004		1,285,386
2005		804,349
2006		301,014
<hr/>		
Total future minimum lease payments		3,935,777
Less amounts representing interest		243,247
<hr/>		
Present value of minimum capital lease payments	\$	3,692,530

(10) Retirement Plans

Plan Description

The City and Public Schools contribute to the Virginia Retirement System (VRS or the System), an agent and cost-sharing, multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(10) Continued

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The employer has assumed this 5% member contribution. In addition, the City and Schools are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and Schools' nonprofessional employees' contribution rates for the fiscal year ended June 30, 2002 were 11% and 11.5%, respectively, of annual covered payrolls.

The following table relates to the Schools' contribution rate for professional employees:

		Annual Required Contributions	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2002	\$	12,896,150	12,896,150	100%
2001		17,772,034	17,772,034	100%
2000		18,436,850	18,436,850	100%

Annual Pension Cost

For the year ended June 30, 2002, the City's and Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 12,574,482	1,620,786
Interest on net pension obligation	138,923	7,404
Adjustment to annual required contribution	(185,324)	(5,570)
Annual pension cost	12,528,081	1,622,620
Less contributions made	12,574,482	1,620,786
Increase (decrease) in net pension obligation	(46,401)	1,834
Net pension obligation at June 30, 2001	1,736,545	92,533
Net pension obligation at June 30, 2002	\$ 1,690,144	94,367

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(10) Continued

The required contributions were determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases from 4.25% to 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. 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 Public Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period of 12 years or 18 years, respectively.

Three-Year Trend Information

Fiscal Year Ended	City			Schools' Nonprofessional Employees		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	12,528,081	100.4%	1,690,144	1,622,620	99.9%	94,367
June 30, 2001	11,160,106	99.7%	1,736,545	1,604,227	99.9%	92,553
June 30, 2000	11,787,815	99.7%	1,702,806	1,789,665	100.0%	90,717

Early Retirement Plan

During fiscal year 1991, the Public Schools adopted an early retirement plan offered to each locality and school board by the VRS. This plan allowed persons age 50 or older with at least 25 years of service to retire with full benefits effective October 1, 1991. Eligible participants were required to announce their retirement by June 30, 1991. Principal payments totaling \$982,510 were made by the Public Schools during the year, resulting in a remaining liability of \$4,055,030 reflected in the component unit Public Schools' long-term liability as of June 30, 2002.

CITY OF CHESAPEAKE, VIRGINIA

Exhibit I

Notes to Basic Financial Statements
June 30, 2002

(11) Reserved Fund Balances
Primary Government

The reserved fund balances in the fund financial statements at June 30, 2002 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED FOR:					
Advances to other funds	\$ 600,854	-	-	-	600,854
Advances to component units	232,000	-	-	-	232,000
Reserve for debt service	-	2,338,177	-	-	2,338,177
Chesapeake Airport Authority	-	390,000	-	-	390,000
Law library	89,757	-	-	-	89,757
AIW Bridge	-	-	532,015	-	532,015
Oak Grove Connector construction	22,851	-	156,399	-	179,250
Radio system	1,167,998	-	2,045,804	-	3,213,802
Future years spending	1,467,019	-	-	-	1,467,019
Nonexpendable fund corpus	-	-	-	12,795	12,795
City Courts construction	-	-	4,613,970	-	4,613,970
City Jail construction	-	-	3,375,001	-	3,375,001
Drainage projects	-	-	3,290,629	-	3,290,629
Recreational facilities	-	-	536,730	-	536,730
Arbitrage rebate	-	415,578	-	-	415,578
Encumbrances	2,846,413	-	3,934,156	651,412	7,431,981
	\$ 6,426,892	3,143,755	18,484,704	664,207	28,719,558

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(12) 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, 2002.

(13) Hospitalization Benefits for Certain Retired Employees

Under administrative regulation, the City offers hospitalization benefits to retired employees who are under age 65 and not eligible for Medicare and who retire after 20 or more years of service. Employees under age 65 who retire on VRS disability retirement after 20 or more years of service may also obtain coverage for their dependents. As of June 30, 2002, 177 employees and their dependents were eligible for these benefits. The City accounts for these benefits as they are incurred and the expenses are included as part of the operating budget of the City. The expenditures for the year ended June 30, 2002 were \$659,998.

The City also offers hospitalization benefits to retired employees who are over age 65 and eligible for Medicare and who retire after 20 or more years of service. These employees who retire on VRS disability retirement after 20 or more years of service may also obtain coverage for their dependents. As of June 30, 2002, 54 employees and their dependents were eligible for these benefits. The City accounts for these benefits as they are incurred and the expenses are included as part of the operating budget of the City. The expenditures for the year ended June 30, 2002 were \$68,488.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(14) Commitments

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 15, 2002, the total estimated cost of which amounted to \$269,926,736 to be funded from anticipated state and federal funds, bond issues and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date. A summary of the sources of funds for the amended capital budget follows:

Issuance of debt	\$ 44,541,000
VPSA supported by dedicated revenue	7,058,200
Anticipated federal and state funds	138,986,760
Open space ordinance fees	123,980
Developer's fees	25,000
Stormwater management fees	7,259,684
Anticipated funds from completed projects	7,489,665
General Fund - fund balance	4,154,609
General Fund - designated reserves	1,467,018
Capital Projects Fund - fund balance	2,054,904
Public Utilities - renewal and replacement	10,256,000
Funds on hand previously appropriated	46,509,916
	\$ 269,926,736

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, 2002, the City has incurred cumulative costs of \$24,737,969 related to the design and construction of the pipeline, with \$42,846 relating to fiscal year 2002. These costs are capitalized in the Public Utilities Fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(15) Contingent Liabilities*Joint Venture*

On September 7, 1989, the City guaranteed approximately 23%, or \$5,330,250, of \$23,175,000 in bonds and the interest thereon, issued by the Southeastern Public Service Authority (SPSA). The outstanding balance of these bonds as of June 30, 2002 is \$6,705,000. Therefore, the City's remaining allocable portion as of June 30, 2002 is \$1,542,150. The purpose of SPSA is to provide and operate a regional system for the reception, transfer, processing and disposal of solid waste. SPSA is governed by a Board of Directors consisting of a representative appointed by each of the member cities and counties. Under the guaranty agreement, the City has agreed to make payments to the trustee for deposit in a reserve account, as necessary, to maintain in such account the sum of the amount of interest due on the next succeeding interest payment date for the bonds and the amount required to pay principal of all the bonds maturing on the next July 1. The City's allocable portion of the amount that may be due is 23%, with the remaining balance being due from neighboring localities as follows: Norfolk - 54%, Portsmouth - 21% and Franklin - 2%. No payments were made under the provisions of the guaranty agreement to the reserve account during the year ended June 30, 2002.

Additionally, should SPSA perform any act that constitutes default under the bond indenture, the entire bond principal could be considered due, of which the City would be liable for its allocable portion.

The full faith and credit of the City is pledged to redeem \$1,542,150 of its allocable portion of the interest and bonds if SPSA revenues are insufficient to meet the obligations.

Separate financial statements may be obtained from Southeastern Public Service Authority, 723 Woodlake Drive, Chesapeake, VA 23320.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(15) Continued***Self-Insurance***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for up to: a) \$1,000,000 per claim for general liability and automobile claims; b) \$600,000 per workers' compensation claim; and c) \$100,000 per claim for most other types of exposures including public official and law enforcement officer liability. The excess of each of these limits is covered by commercial insurance. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. The Self-Insurance Fund also provides for employees that are permanently and totally disabled. Indemnity for these injured workers is 2/3 salary for 500 weeks and lifetime medical care. The insurance coverage is substantially the same as in prior fiscal 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 \$14,333,000 reported in the Self-Insurance Fund at June 30, 2002 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. Non-incremental claims adjustment expenses are included as part of the liability for claims and judgments.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2002

(15) Continued

Changes in the Self-Insurance Fund's liability amount (discounted at 15.9%) during the fiscal years ended June 30, 2002 and 2001 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2001-2002	\$ 13,348,000	4,539,143	3,554,143	14,333,000
2000-2001	\$ 14,610,876	1,722,411	2,985,287	13,348,000

The Public Schools, a component unit, is self-insured for its workers' compensation and dental insurance. Workers' compensation has a \$300,000 limit per claim. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation and dental claims are made through a third-party administrator. The Public Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2002 is \$295,538.

Changes in the Public Schools' liability for self-insurance losses amount during the fiscal years ended June 30, 2002 and 2001 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2001-2002	\$ 601,351	3,394,625	3,700,438	295,538
2000-2001	\$ -	2,710,576	2,109,225	601,351

Litigation

During the normal course of business, the City and its employees have been named as defendants in claims for personal injuries, property damage and specific performances which are being defended by the City Attorney and associated counsel. It is the opinion of the City Attorney, where it is possible to estimate, that the resolution of such litigation will not involve a substantial liability for the City in excess of amounts accrued in the Self-Insurance Fund.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(15) Continued

The City is currently involved in litigation involving 213 plaintiffs. The plaintiffs allegedly suffered miscarriages from 1983 through 2000, and attribute their miscarriages to disinfectant by-products in Chesapeake's water system called trihalomethanes (THMs). Each plaintiff claims \$5 million compensatory damages per miscarriage (some had multiple miscarriages) plus an additional sum for punitive damages. In the aggregate, the City now has claims pending against it in litigation totaling \$1,545,000,000 in compensatory damages and \$213,000,000 in punitive damages. These cases have been consolidated for pretrial motions and discovery under the Virginia Multiple Claimant Litigation Act.

In addition to the 213 plaintiffs who have sued, the City has received written notices of claims on behalf of an additional 12 women claiming to have suffered one or more miscarriages or stillbirths as a result of exposure to THMs in the City's water supply between 1991 and 1998. It is impossible to determine how many additional claimants will ultimately file suit against the City or to determine the total amount of compensatory or punitive damages any additional claimants may seek in such litigation.

These lawsuits all involve multiple theories of recovery including: breach of contract, battery, negligence, negligence per se, violation of the implied UCC warranties of merchantability and implied warranty of fitness for a particular purpose, violation of the Virginia Consumer Protection Act, nuisance, trespass, and four separate counts claiming fraud. Many of these counts present novel questions of law and theories of recovery.

The City moved to dismiss the plaintiffs' claims on various grounds, including the statute of limitations, the doctrine of sovereign immunity (which protects governmental defendants from certain claims), the failure to provide timely notice of claims, and the failure to allege facts which would support the asserted causes of action. Hearings on these various motions to dismiss were held on October 9 and 29, 2001; an evidentiary hearing related to these issues was held on June 10, 2002; and a hearing on the application of CERCLA (Superfund laws) to the cases was held subsequent to year end on September 4, 2002. As a result of these hearings, the judge ruled that Superfund laws do not apply to the case, a ruling which is favorable for the City. As a result of this ruling, only the four fraud counts remain. Also subsequent to year end, on November 6, 2002, the judge ruled that the City does not have sovereign immunity (is not immune from being sued). This ruling may be appealed.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(15) Continued

In August of 2001, the Court selected one case to proceed to trial, and scheduled the trial to begin on September 18, 2002. The woman voluntarily non-suited her case in June of 2002. Plaintiffs have identified another case for trial, but no trial date has been established for that case, and all of the judge's rulings have been applied to this new plaintiff identified for trial.

In January or February 2003, the judge is scheduled to hear evidence that will determine whether the fraud claims can go forward under the two-year statute of limitations. If successful, the remaining issues would be barred by the statute of limitations. If the City is not successful, the case could proceed to trial on the fraud counts alone, which require the heightened burden of clear and convincing evidence. All of the judge's rulings in the present case could be applied to or be persuasive in the remaining cases not currently set for trial. Regardless of the outcome, the rulings on these motions are likely to be appealed to the Virginia Supreme Court. If the plaintiffs' claims proceed to trial, the City also intends to contest their basis in the relevant scientific and medical literature.

The City will continue to vigorously defend itself against these claims, but the litigation could take several years, and the City cannot predict when these claims will be finally resolved. At this stage in the proceedings, it is not possible to estimate the loss potential of the asserted and potential cases, if any.

Federal Award Programs

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

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(16) Subsequent Event for Component Unit – Chesapeake Airport Authority

Subsequent to year end, on October 22, 2002 the Federal Aviation Administration (the FAA) determined that the Airport Authority violated federal law and conditions for its federal funding. This violation (Title 49 U.S.C. Section 40103 (e) and related Federal Grant Assurance 23, Exclusive Rights) included establishing unreasonable terms as a condition for access to the airport, which effectively limited competition. All federal funding has been suspended until the issues are resolved. The FAA has agreed that the ban is not permanent, and it can be reversed when the Airport Authority makes all necessary adjustments to bring them into compliance with federal law. They intend to make these adjustments by way of submitting their corrective action plan within the required 60-day period.

(17) Budgetary Expenditures in Excess of Appropriations

The expenditures of the Community Services Fund, a Special Revenue Fund, exceeded appropriations by \$180,015. The expenditures over appropriations were funded by the Community Services Fund's fund balance.

(18) Restated Beginning Net Assets

Effective July 1, 2001, the City made several revisions to its capital asset policy. The City also performed a capital asset equipment inventory count during the fiscal year. As a result, restatements were made to beginning net assets in the proprietary funds to properly reflect the City's capital assets.

Under GASB Statement No. 34, effective July 1, 2001, the captions of contributed capital and retained earnings (deficit) are no longer used. Both of these accounts are now considered net assets. Therefore, the June 30, 2001 net assets of the proprietary funds are comprised of the contributed capital and retained earnings (deficit) at June 30, 2001.

In May 2001, the Stormwater Management Fund instituted a rate increase effective July 2001. Because these revenues are billed on a calendar year basis, the City made additional billings of \$686,885 based on the new rates. These additional billings were prematurely recorded in June 2001 as opposed to July 2001. Consequently, a restatement of net assets was required to properly reflect the timing of these revenues.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(18) Continued

A summary of the restatements of net assets for proprietary funds follows:

	Beginning Retained Earnings (Deficit)	Beginning Contributed Capital	Adjustment Related to Capital Assets	Adjustment Related to Stormwater	Beginning Net Assets, as Restated
Enterprise Funds:					
Public Utilities Fund	\$ 97,844,131	143,493,381	5,066,756	-	246,404,268
Chesapeake Expressway Fund	858,231	6,699,125	122,155	-	7,679,511
Stormwater Management Fund	13,982,128	1,999	4,027	(686,885)	13,301,269
Northwest River Park Fund	322,820	22,908	(6,161)	-	339,567
Jordan Bridge Fund	(1,001,030)	3,000,689	908,012	-	2,907,671
Recreation Fund	773,968	6,128	(69,457)	-	710,639
Total Enterprise Funds	112,780,248	153,224,230	6,025,332	(686,885)	271,342,925
Internal Service Funds:					
Central Stores Fund	202,797	-	(4,355)	-	198,442
Information Technology Fund	2,298,193	308,903	(699,037)	-	1,908,059
City Garage Fund	1,983,585	6,104,176	5,630,366	-	13,718,127
Self-Insurance Fund	4,345,702	6,317	(19,066)	-	4,332,953
Total Internal Service Funds	8,830,277	6,419,396	4,907,908	-	20,157,581

Under GASB Statement No. 34, the City's and Public Schools' statement of net assets include both non-current assets and non-current liabilities which were previously recorded in the General Fixed Asset Account Group and the General Long-Term Debt Account Group. In addition to the fixed assets previously recorded in the General Fixed Asset Account Group, the City retroactively capitalized certain infrastructure assets.

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2002

(18) Continued

The following table shows beginning net assets for governmental activities restated for the effects of the implementation of GASB Statement No. 34:

	Primary Government - Governmental Funds	Component Unit - Public Schools - Governmental Funds
Fund Balance at June 30, 2001	\$ 145,347,759	26,038,223
GASB Statement No. 34 adjustments:		
Capital assets	989,536,634	36,162,819
Deferred revenues	12,603,248	2,214,667
Liabilities	(498,770,658)	(27,743,412)
Internal Service Funds	20,157,581	-
Net Assets at June 30, 2001 - Governmental Activities	\$ 668,874,564	36,672,297

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Required Supplementary Information other than MD&A



CITY OF CHESAPEAKE, VIRGINIA

Schedule J-1

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2002

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
REVENUES				
General property taxes	\$ 166,760,000	167,060,000	173,500,445	6,440,445
Other local taxes	85,514,393	85,514,393	84,713,380	(801,013)
Licenses, permits, and fees	1,900,943	1,900,943	1,763,541	(137,402)
Intergovernmental revenues:				
Commonwealth of Virginia	74,641,097	76,335,820	69,138,093	(7,197,727)
Federal government	67,000	120,030	151,821	31,791
Recovered costs	3,371,185	3,371,185	3,931,116	559,931
Investment income	2,000,000	2,011,692	1,261,343	(750,349)
Revenues from use of property	210,031	210,031	215,642	5,611
Charges for services	6,029,963	6,029,963	6,595,400	565,437
Fines and forfeitures	2,048,438	2,185,241	2,154,515	(30,726)
Miscellaneous revenues	76,500	149,400	168,958	19,558
Total revenues	342,619,550	344,888,698	343,594,254	(1,294,444)
EXPENDITURES				
Current:				
General government	78,965,878	78,455,443	74,734,693	3,720,750
Public safety	51,964,402	61,005,399	60,610,997	394,402
Public works	39,997,462	41,058,637	39,440,560	1,618,077
Parks	8,350,615	8,900,950	8,191,386	709,564
Debt service	2,330,120	2,330,120	2,331,591	(1,471)
Total expenditures	181,608,477	191,750,549	185,309,227	6,441,322
Excess of revenues over expenditures	161,011,073	153,138,149	158,285,027	5,146,878
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	831,199	1,498,937	667,738
Transfers from component units	-	-	307,204	307,204
Transfers from component unit - cash reversion	1,333,000	1,333,000	741,511	(591,489)
Transfers to other funds	(56,448,009)	(60,296,806)	(60,623,748)	(326,942)
Transfers to component units	(113,326,514)	(113,957,175)	(113,957,175)	-
Total other financing sources (uses)	(168,441,523)	(172,089,782)	(172,033,271)	56,511
Deficiency of revenues and other financing sources under expenditures and other financing uses	(7,430,450)	(18,951,633)	(13,748,244)	5,203,389
Fund balances, beginning of year	71,712,517	71,712,517	71,712,517	-
Fund balances, end of year	\$ 64,282,067	52,760,884	57,964,273	5,203,389

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Schedule J-2

Schedules of Funding Progress - Virginia Retirement System (unaudited)
Year Ended June 30, 2002

City Employees						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2001	\$324,690,086	307,339,232	(17,350,854)	105.65%	\$94,893,524	(18.28%)
June 30, 2000	292,335,967	278,668,356	(13,667,611)	104.90%	87,555,359	(15.61%)
June 30, 1999	250,402,428	259,206,703	8,804,275	96.60%	81,975,391	10.74%
Schools' Non-Professional Employees						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2001	\$37,953,555	36,753,018	(1,200,537)	103.27%	\$13,309,019	(9.02%)
June 30, 2000	34,360,757	32,699,106	(1,661,651)	105.80%	12,693,702	(13.09%)
June 30, 1999	29,574,901	33,072,872	3,497,971	89.42%	11,731,438	29.82%

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2002

(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 and Grants Fund), 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, and the Community Development Fund utilize project budgets in lieu of legally adopted annual budgets.

By April 1, the City Manager submits a balanced budget to City Council for the next ensuing fiscal year to begin July 1. This budget includes the Public Schools' budget as adopted by the School Board. Although the City Manager can make recommendations on the Public Schools' budget, he cannot alter it. The City Council makes an annual appropriation to the Public Schools but is prohibited from exercising any control over specific expenditures of the Public Schools' operating funds.

The budget is required to be adopted at the fund level by a majority vote of the City Council 47 days prior to the end of the current fiscal year. Subsequent to adoption at the fund level, the City Council adopts an appropriation ordinance allocating each fund's budget to the appropriate department.

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

The City Council may authorize supplemental appropriations based on the availability of financial resources. The City Manager is authorized by City Council to make transfers between funds. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2002

(1) Continued

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

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

The General Fund budget is adopted on a modified accrual basis consistent with generally accepted accounting principles (GAAP) except for the equipment capital lease proceeds. A reconciliation of the General Fund from budgetary basis to the GAAP basis is as follows:

	General Fund
Revenues and other financing sources - budgetary basis - per Schedule K-1	\$ 346,141,906
Add proceeds from equipment capital lease	148,490
Revenues and other financing sources - GAAP basis - per Schedule D	\$ 346,290,396
Expenditures and other financing uses - budgetary basis - per Schedule K-2	\$ 359,890,150
Add equipment acquired through equipment capital lease	148,490
Expenditures and other financing uses - GAAP basis - per Schedule D	\$ 360,038,640

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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Supplementary Information -
Combining and Individual Fund
Statements and Schedules



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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 City of Chesapeake Public Schools, debt service requirements for the City, the Virginia Public Assistance Fund, the Community Services Fund, the Interagency Consortium Fund, and construction projects.



General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 131,500,000	130,086,527	(1,413,473)
Current taxes on public service corporations	9,307,000	9,298,888	(8,112)
Current taxes on personal property	15,000,000	22,320,603	7,320,603
Delinquent taxes on real property	2,400,000	2,737,320	337,320
Delinquent taxes on personal property	7,003,000	6,778,190	(224,810)
Penalties, interest and advertising	1,850,000	2,278,917	428,917
Total general property taxes	167,060,000	173,500,445	6,440,445
Other local taxes			
Local sales and use taxes	25,375,000	24,622,093	(752,907)
Consumer utility taxes	16,575,000	15,191,835	(1,383,165)
Consumer telephone taxes	2,700,000	2,425,395	(274,605)
Business license taxes	15,715,000	17,068,149	1,353,149
Local consumption tax	750,000	681,763	(68,237)
Franchise license taxes	1,975,000	1,797,805	(177,195)
Motor vehicle license	4,050,000	4,022,740	(27,260)
Bank stock taxes	681,000	721,400	40,400
Taxes on recordation and wills	1,150,393	1,349,798	199,405
Tobacco taxes	2,500,000	2,671,123	171,123
Hotel and motel room taxes	1,600,000	1,695,346	95,346
Restaurant food taxes	11,500,000	11,661,082	161,082
Admission taxes	655,000	527,383	(127,617)
Short-term rental taxes	160,000	147,610	(12,390)
Pari-mutuel wagering pool tax	128,000	129,858	1,858
Total other local taxes	85,514,393	84,713,380	(801,013)
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	100	42	(58)
Building structure and equipment permits	816,000	799,020	(16,980)
Precious metals and gems permits	2,200	2,400	200
Highway and driveway permits	46,500	28,580	(17,920)
Transfer fees	7,593	7,006	(587)
Zoning inspection fees	26,650	34,378	7,728
Building inspection fees	63,000	49,192	(13,808)
Electrical inspection fees	267,000	263,124	(3,876)
Elevator inspection fees	24,000	28,550	4,550
Plumbing inspection fees	200,000	177,065	(22,935)
Mechanical permits	240,000	198,746	(41,254)
Subdivision review fees	111,000	106,734	(4,266)
Solicitors permits	400	200	(200)
Examination fees	-	33	33
Taxi operators licenses	500	560	60
Inspection fees - gas appliances	80,000	49,946	(30,054)
Rental inspection fees	16,000	15,965	(35)
Telecommunications right of way	-	2,000	2,000
Total licenses, permits, and fees	1,900,943	1,763,541	(137,402)

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Fines and forfeitures	\$ 2,185,241	2,154,515	(30,726)
Investment income	2,011,692	1,261,343	(750,349)
Revenues from use of property:			
Rental of general property	160,500	144,921	(15,579)
Rental of recreation facilities	41,931	58,671	16,740
Library rental revenue	7,600	12,050	4,450
Total revenues from use of property	210,031	215,642	5,611
Charges for services:			
Special court costs	102,835	97,584	(5,251)
Law library fees	101,000	97,061	(3,939)
Accident report fees	32,000	27,233	(4,767)
Municipal court fees	28,161	32,340	4,179
Civil penalties	—	175	175
Non-support fees	32,485	22,146	(10,339)
Commonwealth's Attorney fees	6,600	6,788	188
Police escort fees	2,200	5,340	3,140
Sale of service - police	185,000	266,941	81,941
Fire report fees	—	70	70
Sheriff fees	22,861	22,861	—
Inmate medical fees	18,000	15,988	(2,012)
Sale of service - jail	1,002,750	908,581	(94,169)
Sale of service - jail inmates	131,000	194,171	63,171
Inmate phone system - jail	172,000	158,451	(13,549)
Sale of service - sheriff	—	6,638	6,638
Sale of service - public works	140,500	226,986	86,486
Engineering and administrative costs	1,362,944	1,336,430	(26,514)
Recreation franchise fees	57,864	82,357	24,493
Vending machine commissions	9,000	6,290	(2,710)
Telephone commissions	2,775	916	(1,859)
Library fines and fees	207,100	197,941	(9,159)
Lot processing fees	122,500	196,740	74,240
Apartment processing fees	50,000	49,364	(636)
Sale of service - planning	1,800	1,692	(108)
Sale of service - public information	1,800	1,920	120
Sale of publications	6,000	6,068	68
Returned check fees	15,365	14,156	(1,209)
Custodian service	90,000	108,766	18,766
Wage assignment fees	11,655	10,251	(1,404)
Sale of service - assessor	8,854	7,477	(1,377)
Adult Clinic fees	22,320	27,635	5,315
Lost book fees	18,700	17,601	(1,099)
Emergency medical service fees	1,149,709	1,608,105	458,396
Administration collected fees	167,000	167,883	883
Rent of showmobile	3,225	2,635	(590)

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Charges for services, continued:			
Library nonresident cards	\$ 11,300	13,108	1,808
Sale of Service - Commissioner of Revenue	2,000	2,175	175
Subdivision inspection fees	510,000	473,940	(36,060)
Library copies	13,800	20,322	6,522
Sale of Service - capital improvement budget support	204,360	148,524	(55,836)
Sale of Service - sponsorship	2,500	3,750	1,250
Total charges for services	6,029,963	6,595,400	565,437
Miscellaneous local revenues:			
Payments in lieu of taxes from other agencies	2,000	5,873	3,873
Sale of personal property	6,000	40,405	34,405
Sale of ARC - public works	32,500	37,505	5,005
Public Works claims reimbursement	108,900	73,212	(35,688)
Sale of junk and salvage	-	11,963	11,963
Total miscellaneous local revenues	149,400	168,958	19,558
Recovered costs:			
Juvenile Detention Home	3,285,000	3,005,300	(279,700)
Other recoveries and rebates	30,000	860,886	830,886
Virginia Juvenile Commonwealth Crime Control	54,185	59,367	5,182
Recoveries - Health Department	-	5,137	5,137
Recoveries - jury	2,000	426	(1,574)
Total recovered costs	3,371,185	3,931,116	559,931
Total revenues from local sources	268,432,848	274,304,340	5,871,492
Revenue from the Commonwealth			
Noncategorical aid:			
ABC profits	395,000	541,446	146,446
Wine taxes	234,000	280,759	46,759
Motor vehicle carrier taxes	148,000	148,272	272
Mobile home titling taxes	69,368	44,346	(25,022)
Indirect costs	170,000	160,407	(9,593)
Police	6,720,873	6,136,337	(584,536)
Daily rental taxes - auto	580,000	575,724	(4,276)
Drug enforcement state assets	53,747	61,987	8,240
Deed taxes	421,891	481,183	59,292
Personal Property Tax Relief	31,192,000	17,511,333	(13,680,667)
Delinquent Personal Property Tax Relief	800,000	7,379,120	6,579,120
Total noncategorical aid	40,784,879	33,320,914	(7,463,965)

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	\$ 1,005,157	1,027,764	22,607
Sheriff	7,869,000	7,328,370	(540,630)
Commissioner of the Revenue	386,062	380,641	(5,421)
Treasurer	412,000	447,752	35,752
Medical Examiner	1,500	1,953	453
Registrar/Electoral Board	66,806	63,656	(3,150)
Agriculture	51,201	51,885	684
Jail project reimbursement - state	610,780	610,780	-
Total shared expenses	10,402,506	9,912,801	(489,705)
Other categorical aid:			
Juvenile Detention Home	2,724,250	2,701,122	(23,128)
Local jail	1,700,000	2,079,776	379,776
Street and highway maintenance	18,063,457	18,502,749	439,292
Library	311,431	296,708	(14,723)
Health	107,850	49,108	(58,742)
Excess fees	391,304	538,983	147,679
Emergency Medical Service state vehicle registration	87,185	158,361	71,176
Other state grants	283,940	479,591	195,651
Transportation improvement set-aside	1,001,740	902,750	(98,990)
Reimbursement for emergency expense	-	43,520	43,520
Wireless E-911	477,278	151,710	(325,568)
Total other categorical aid	25,148,435	25,904,378	755,943
Total categorical aid	35,550,941	35,817,179	266,238
Total revenues from the Commonwealth	76,335,820	69,138,093	(7,197,727)
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	67,000	64,617	(2,383)
Categorical aid:			
Other federal grants	-	18,520	18,520
Drug Enforcement Agency	53,030	68,684	15,654
Total revenues from the Federal Government	120,030	151,821	31,791
Total revenues	344,888,698	343,594,254	(1,294,444)
OTHER FINANCING SOURCES			
Transfer from component unit - cash reversion	1,333,000	741,511	(591,489)
Transfer from component unit	-	307,204	307,204
Transfers from other funds	831,199	1,498,937	667,738
Total other financing sources	2,164,199	2,547,652	383,453
Total revenues and other financing sources	\$ 347,052,897	346,141,906	(910,991)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K-2

General Fund
 Schedule of Expenditures, Encumbrances and Other Uses -
 Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
General government							
Legislative Department - City Council	\$ 925,333	899,581	-	899,581	25,752	2,714	23,038
Executive Department:							
City Manager	1,291,173	1,169,884	-	1,169,884	121,289	5,831	115,458
Intergovernmental Affairs	350,974	325,518	-	325,518	25,456	-	25,456
Public Information Office	1,337,847	1,040,511	211,200	1,251,711	86,136	43,827	42,309
Contingencies	1,239,375	-	-	-	1,239,375	-	1,239,375
Environmental emergencies	16,320	-	-	-	16,320	-	16,320
Department of Law - City Attorney	1,286,792	1,278,870	-	1,278,870	7,922	690	7,232
Department of Finance:							
Commissioner of Revenue	2,611,878	2,574,852	-	2,574,852	37,026	4,486	32,540
Real Estate Assessor	2,144,126	2,106,971	-	2,106,971	37,155	1,099	36,056
Board of Equalization	3,735	1,156	-	1,156	2,579	-	2,579
City Treasurer	2,731,196	2,615,249	-	2,615,249	115,947	42,041	73,906
Sale of city auto licenses	81,139	80,958	-	80,958	181	-	181
Director of Finance	2,215,805	2,050,048	-	2,050,048	165,757	15,717	150,040
Economic Development	1,350,007	1,139,757	88,335	1,228,092	101,915	33,001	68,914
Development services	65,000	-	-	-	65,000	-	65,000
Budget Director	586,661	430,715	-	430,715	155,946	4,721	151,225
Audit Services	407,002	395,979	-	395,979	11,023	1,400	9,623
Purchasing	649,267	645,214	-	645,214	4,053	4,150	(97)
Independent auditors	110,500	110,436	-	110,436	64	-	64
Cash Management System - Treasurer	123,592	-	-	-	123,592	-	123,592
Retirement system and employee benefits	1,226	1,226	-	1,226	-	-	-
Department of Human Resources:							
Human Resources	1,724,064	1,666,352	-	1,666,352	57,712	36,914	20,798
HIPAA	46,000	-	-	-	46,000	46,000	-
Judicial Department:							
Circuit Court	512,110	383,027	-	383,027	129,083	881	128,202
Magistrates office	9,994	7,089	-	7,089	2,905	645	2,260
General District Court	2,275,193	2,277,271	6,701	2,283,972	(8,779)	2,145	(10,924)
Juvenile and Domestic Relations Court	798,474	773,661	-	773,661	24,813	6,037	18,776
Court Services Unit	391,171	207,412	-	207,412	183,759	-	183,759
Commonwealth's Attorney	1,932,483	1,897,940	-	1,897,940	34,543	64,243	(29,700)
Circuit Court Clerk	708,471	728,118	-	728,118	(19,647)	2,568	(22,215)
Sheriff	24,627,724	24,310,042	-	24,310,042	317,682	14,501	303,181

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances and Other Uses -
 Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
General government, continued:							
Judicial Department, continued:							
Juvenile Detention Home	\$ 6,196,226	6,467,344	-	6,467,344	(271,118)	21,626	(292,744)
Law Library	171,331	108,152	-	108,152	63,179	-	63,179
Chesapeake Volunteer Services	262,861	231,055	-	231,055	31,806	1,259	30,547
Virginia Juvenile Community Crime Control	54,817	59,383	-	59,383	(4,566)	-	(4,566)
Department of Public Health:							
Adult clinics	646,950	625,916	-	625,916	21,034	16,343	4,691
General clinics	1,360,068	1,285,520	-	1,285,520	74,548	-	74,548
OSHA services	87,729	66,601	-	66,601	21,128	213	20,915
Department of Recreation:							
Recreation programs	2,072,376	2,068,761	-	2,068,761	3,615	3,878	(263)
Northwest River Park	424,385	410,238	5,992	416,230	8,155	2,632	5,523
Senior citizens program	241,747	197,767	-	197,767	43,980	18,003	25,977
Department of Public Library:							
Public library	5,819,687	5,726,286	-	5,726,286	93,401	28,058	65,343
Records management	33,900	33,269	-	33,269	631	-	631
Public library state aid	311,580	267,656	17,559	285,215	26,365	19,529	6,836
Boards and Commissions:							
Planning Department	1,603,390	1,531,653	9,349	1,541,002	62,388	31,630	30,758
Planning Commission	40,238	35,755	-	35,755	4,483	-	4,483
Electoral Board	539,046	451,747	-	451,747	87,299	12,740	74,559
Electoral workers	96,519	86,553	-	86,553	9,966	-	9,966
Office of Environmental Services	16,800	-	-	-	16,800	-	16,800
Department of Agriculture	390,864	380,114	-	380,114	10,750	229	10,521
Nondepartmental:							
Support of civic and community organizations	5,394,858	5,092,525	-	5,092,525	302,333	151,832	150,501
Debt service	2,330,120	2,331,591	-	2,331,591	(1,471)	-	(1,471)
Special programs	155,439	151,425	-	151,425	4,014	-	4,014
Total general government	80,785,563	76,727,148	339,136	77,066,284	3,719,279	641,583	3,077,696
Department of Public Safety							
Police department	26,064,395	25,757,312	5,614	25,762,926	301,469	457,825	(156,356)
Wireless E-911 Service Board	477,278	151,710	-	151,710	325,568	325,568	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances and Other Uses -
 Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures		Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay			
		Total				
Department of Public Safety, continued:						
E-911 operations	\$ 2,394,493	2,192,727	-	201,766	65,138	136,628
Public safety training	518,947	478,654	-	40,293	20,561	19,732
Fire department	22,409,785	23,381,364	-	(971,579)	-	(971,579)
Fire programs - state	370,476	222,198	-	148,278	148,277	1
Fire Prevention Bureau	1,005,208	963,370	-	41,838	-	41,838
Fire training	273,408	254,076	-	19,332	-	19,332
Fire - environmental compliance	318,670	-	-	318,670	318,670	-
Emergency Medical Services	4,063,878	4,153,069	-	(89,191)	-	(89,191)
Inspections	2,453,829	2,429,920	-	23,909	4,342	19,567
Office of Zoning Administration	454,120	439,684	-	14,436	147	14,289
EMS vehicle registration	39,168	34,429	-	4,739	4,739	-
Emergency management operations	161,744	146,870	-	14,874	-	14,874
Total public safety	61,005,399	60,605,383	5,614	394,402	1,345,267	(950,865)
Department of Public Works						
Engineering and administration	7,629,021	7,447,507	5,063	176,451	55,381	121,070
Traffic engineering	2,140,927	1,960,382	12,670	167,875	10,097	157,778
Street maintenance	10,083,336	6,642,216	2,897,374	543,746	450,949	92,797
Bridges and structures	1,401,161	1,360,910	-	40,251	6,133	34,118
Street lighting	2,333,191	2,336,798	-	(3,607)	-	(3,607)
Bureau of Drainage	2,509,696	2,373,201	11,333	125,162	61,881	63,281
Street cleaning	819,717	821,997	-	(2,280)	-	(2,280)
Solid waste collection	14,141,588	13,571,109	-	570,479	17,957	552,522
Total public works	41,058,637	36,514,120	2,926,440	1,618,077	602,398	1,015,679
Department of Parks						
Parks and grounds maintenance	3,019,641	2,548,332	-	471,309	144,582	326,727
Buildings maintenance	4,763,428	4,502,915	78,998	181,515	112,583	68,932
Administration	477,547	458,778	-	18,769	-	18,769
Facilities Management - building	488,838	462,752	-	26,086	-	26,086
Parks, grounds and building maintenance - warehouse	87,446	76,971	-	10,475	-	10,475
Parks, grounds and building maintenance - work order	64,050	62,640	-	1,410	-	1,410
Total parks	8,900,950	8,112,388	78,998	709,564	257,165	452,399
Total expenditures and encumbrances	191,750,549	181,959,039	3,350,188	6,441,322	2,846,413	3,594,909

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances and Other Uses -
 Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
OTHER FINANCING USES							
Transfers to component unit:							
Public Schools	\$ 113,957,175	113,957,175	-	113,957,175	-	-	-
Transfers to other funds:							
Virginia Public Assistance Fund	4,974,962	4,974,962	-	4,974,962	-	-	-
Debt Service Fund	40,554,564	40,554,564	-	40,554,564	-	-	-
Community Services Fund	3,480,949	3,480,949	-	3,480,949	-	-	-
Interagency Consortium Fund	1,200,504	1,200,504	-	1,200,504	-	-	-
Capital Projects Fund	6,810,224	7,137,166	-	7,137,166	(326,942)	-	(326,942)
City Garage Fund	1,679,198	1,679,198	-	1,679,198	-	-	-
Information Technology Fund	280,444	280,444	-	280,444	-	-	-
Self Insurance Fund	7,736	7,736	-	7,736	-	-	-
Community Corrections Fund	26,297	26,297	-	26,297	-	-	-
Animal Control Fund	747,604	747,604	-	747,604	-	-	-
Central Stores Fund	2,653	2,653	-	2,653	-	-	-
Grants Fund	531,671	531,671	-	531,671	-	-	-
Total transfers to other funds	60,296,806	60,623,748	-	60,623,748	(326,942)	-	(326,942)
Total other financing uses	174,253,981	174,580,923	-	174,580,923	(326,942)	-	(326,942)
Total expenditures, encumbrances and other financing uses	\$ 366,004,530	356,539,962	3,350,188	359,890,150	6,114,380	2,846,413	3,267,967

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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 debt of governmental funds.



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CITY OF CHESAPEAKE, VIRGINIA

Schedule L

Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 3,066,120	1,884,983	(1,181,137)
Revenue from use of property	505,765	148,265	(357,500)
Miscellaneous local revenues	-	889,805	889,805
Intergovernmental revenues- Commonwealth of Virginia	216,885	216,885	-
Total revenues	3,788,770	3,139,938	(648,832)
EXPENDITURES			
Interest on general obligation bonds	20,738,129	20,377,936	360,193
Interest on literary loans	243,745	243,745	-
Interest other - Chesapeake Port Authority note	166,492	68,931	97,561
Arbitrage	-	210,084	(210,084)
Capital lease payments	750,076	750,076	-
Other debt expenditures	200,000	661,869	(461,869)
Redemption of general obligation bonds	23,495,398	21,885,398	1,610,000
Redemption of literary loans	649,493	649,493	-
Redemption of Chesapeake Port Authority note	675,990	330,898	345,092
Total expenditures	46,919,323	45,178,430	1,740,893
Deficiency of revenues under expenditures	(43,130,553)	(42,038,492)	1,092,061
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	40,554,564	40,554,564	-
Conference Center Fund	500,000	442,552	(57,448)
Capital Projects Fund	-	455,045	455,045
Total transfers from other funds	41,054,564	41,452,161	397,597
Transfer from component unit - Public Schools Capital Projects Fund	-	448,351	448,351
Issuance of bonds	-	58,511,601	58,511,601
Premiums on bonds issued	-	3,495,946	3,495,946
Payment to refunded bond escrow agent	-	(54,308,889)	(54,308,889)
Transfer to Capital Projects Fund	(1,253,340)	(1,253,340)	-
Transfer to component unit - Public Schools Capital Projects Fund	-	(7,268,658)	(7,268,658)
Total other financing sources (uses)	39,801,224	41,077,172	1,275,948
Deficiency of revenues and other financing sources under expenditures and other financing uses	(3,329,329)	(961,320)	2,368,009
Fund balance, beginning of year	25,898,957	25,898,957	-
Fund balance, end of year	\$ 22,569,628	24,937,637	2,368,009

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Capital Projects Fund

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



Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects:							
General government:							
1985 Borrowing Authority:							
Juvenile and Domestic Court reseal windows	\$ 37,419	-	27,173	27,173	10,246	-	10,246
Facilities high priority renewal/replacement	51,425	-	-	-	51,425	-	51,425
1990 Borrowing Authority -							
Infrastructure Improvement Economic Development	15,350	-	-	-	15,350	-	15,350
1992 Borrowing Authority -							
Facilities high priority renewal/replacement	83,192	-	-	-	83,192	71,185	12,007
1993 Borrowing Authority -							
Juvenile and Domestic Court reseal windows	2,779	-	-	-	2,779	-	2,779
1994 Borrowing Authority:							
TCC site improvement	768,090	768,090	-	768,090	-	-	-
Butts Station operations	104,624	104,624	-	104,624	-	-	-
Juvenile and Domestic Court reseal windows	7,611	-	-	-	7,611	-	7,611
1995 Borrowing Authority:							
Thermal Storage central system	6,019	-	-	-	6,019	313	5,706
Bowers Hill maintenance center	43,507	43,507	-	43,507	-	-	-
Hickory maintenance center	27,185	27,185	-	27,185	-	-	-
Butts Station maintenance center	4,526	4,526	-	4,526	-	-	-
Americans with Disabilities Act	126,594	-	14,107	14,107	112,487	51,875	60,612
Western Branch planning study	93,100	90,407	2,526	92,933	167	-	167
Infrastructure improvement Economic Development	297,785	-	-	-	297,785	-	297,785
Congestion mitigation air quality	46,781	-	-	-	46,781	-	46,781
Facilities high priority renewal/replacement	7,667	-	-	-	7,667	-	7,667
1996 Borrowing Authority:							
Butts Station maintenance center	560	560	-	560	-	-	-
Underground water/sewer improvements (Economic Development)	325,000	262,945	62,000	324,945	55	-	55
New industrial park (Economic Development)	144,239	-	144,239	144,239	-	-	-
Chesapeake Airport Authority	534,000	534,000	-	534,000	-	-	-
Bowers Hill maintenance center	2,890	2,890	-	2,890	-	-	-
Emergency generator	64,770	4,410	58,297	62,707	2,063	-	2,063
Infrastructure improvement Economic Development	118,913	-	-	-	118,913	-	118,913
Tidewater Detention Home floor replacement	171,480	-	-	-	171,480	-	171,480
Facilities high priority renewal/replacement	17,944	-	-	-	17,944	15,627	2,317
Juvenile and Domestic Court reseal windows	7,394	-	-	-	7,394	-	7,394
New industrial park	800,000	-	-	-	800,000	-	800,000
1997 Borrowing Authority:							
Compaz Industrial Park	800,000	-	800,000	800,000	-	-	-
Prior commitments	1,290,506	-	-	-	1,290,506	-	1,290,506
Congestion mitigation air quality	22,650	-	-	-	22,650	-	22,650
Facilities high priority renewal/replacement	149,471	-	-	-	149,471	-	149,471

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
General government, continued:							
Other funding sources:							
Financial and legal advisory fees	\$ 84,269	112,782	-	112,782	(28,513)	-	(28,513) *
ARTS education building	55,000	-	-	-	55,000	-	55,000
Americans with Disabilities Act	197,881	-	-	-	197,881	-	197,881
Commerce Park	900,000	1,070	334,191	335,261	564,739	-	564,739
Prior CIB - various	1,704,675	-	-	-	1,704,675	-	1,704,675
Y2K expenditures	2,152,089	2,147,937	4,152	2,152,089	-	-	-
Art feasibility study	80,000	73,262	-	73,262	6,738	-	6,738
Undesignated utilities and water and sewer lines	13,120	-	-	-	13,120	-	13,120
City strategic plan	200,000	-	-	-	200,000	195,435	4,565
Americans with Disabilities Act	89,660	-	14	14	89,646	54,541	35,105
New business park	1,000,000	-	720,500	720,500	279,500	-	279,500
Undesignated utilities and water and sewer lines	482,340	-	-	-	482,340	-	482,340
Integrated financial management system	4,550,000	11,961	189,697	201,658	4,348,342	54,000	4,294,342
Chesapeake/Virginia Beach transportation land use study	140,000	99,990	39,910	139,900	100	-	100
Western Branch planning study	26,900	26,900	-	26,900	-	-	-
Infrastructure improvement	67,952	-	-	-	67,952	-	67,952
Economic Development	99,193	85,584	9,083	94,667	4,526	-	4,526 *
Records system inspections	1,172,203	807,290	223,195	1,030,485	141,718	141,718	-
Environment assessment remedial program	150,667	-	32,577	32,577	118,090	20,176	97,914
GASB 34 implementation	500,000	-	219,700	219,700	280,300	14,561	265,739
E-government initiative	65,520	-	16,636	16,636	48,884	10,445	38,439
Tidewater Detention Home floor replacement	237,370	-	70,715	70,715	166,655	-	166,655
Facilities high priority renewal/replacement	100,000	-	-	-	100,000	-	100,000
Conference Center technology enhancement	396,700	-	154,059	154,059	242,641	220,600	22,041
Chesapeake Airport improvement	757	-	-	-	757	-	757
Facilities high priority renewal/replacement	293,590	-	-	-	293,590	-	293,590
Cash processing system - Treasurer	312,000	-	-	-	312,000	-	312,000
Ortho photography	10,000	-	-	-	10,000	-	10,000 *
Watershed NS-2 Kemp Woods	19,500	-	-	-	19,500	-	19,500 *
Watershed GL-1 Washington Manor	193,531	-	115	115	193,416	-	193,416
City-wide undesignated drainage	39,256	39,256	-	39,256	-	-	-
Tyre Neck Rd. culvert system	30,000	-	-	-	30,000	-	30,000
Art feasibility study	911,077	-	361	361	910,716	-	910,716
City jail repair and remediation	140,000	-	133,571	133,571	6,429	-	6,429 *
Oil/water separator							
Lease Revenue Bond:							
Municipal Center parking	21,165	-	-	-	21,165	-	21,165
Total General Government	22,609,886	5,249,176	3,256,818	8,505,994	14,103,892	850,476	13,253,416

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Safety:							
1992 Borrowing Authority:							
Fire Station # 10 addition	\$ 6,180	6,080	-	6,080	100	-	-
Fuel tank leak prevention & detection	27,438	-	-	-	-	100	27,438
1993 Borrowing Authority:							
HVAC and roof replacement/Public Safety building	3,581	-	2,852	2,852	729	-	729
Congestion mitigation air quality	74,568	-	2,279	2,279	72,289	-	72,289
Fuel tank leak prevention & detection	122,518	-	-	-	122,518	-	122,518
1994 Borrowing Authority:							
Jail	22,872	-	11,000	11,000	11,872	5,279	6,593
Fuel tank leak prevention & detection	45,549	-	-	-	45,549	-	45,549
1995 Borrowing Authority:							
Fire station # 9 Brentwood	118,693	77,329	40,410	117,739	954	953	1
4th Police Precinct	2,324	713	1,611	2,324	-	-	*
Add to jail space	109,258	-	-	-	109,258	-	109,258
Police firing range	163,875	136,116	27,759	163,875	-	-	-
1996 Borrowing Authority:							
Fire emergency generator	5,230	-	5,230	5,230	-	-	*
Pendleton Center relocation	305,967	305,967	-	305,967	-	-	-
Public Safety building	56,704	-	-	-	56,704	-	56,704
Fire Station # 9 Brentwood	52,500	-	52,500	52,500	-	-	-
4th Police Precinct	42,635	1,192	17,991	19,183	23,452	-	23,452
Fire Station # 3 land	950	950	-	950	-	-	*
800 MHZ radio system	20,000	-	-	-	20,000	20,000	-
Lease Revenue Bond:							
Jail annex	19,043	-	-	-	19,043	17,840	1,203
Training academy firing range	2,300,000	232,520	1,794,105	2,026,625	273,375	89,379	183,996
Other funding sources:							
Emergency mobile CD	112,154	112,154	-	112,154	-	-	-
800 MHZ digital radio system	366,939	104,568	98,836	203,404	163,535	92,047	71,488
Fire Station # 15	55,677	-	6,560	6,560	49,117	47,087	2,030
800 MHZ - towers	3,535,078	3,535,078	-	3,535,078	-	-	-
Fire Station # 9	75,000	-	75,000	75,000	-	-	-
800 MHZ digital radio system and towers	1,232,880	560,728	577,312	1,138,040	94,840	50,316	44,524
800 MHZ	289,800	230,800	-	230,800	59,000	59,000	-
Fire Station # 9	300,000	-	9,023	9,023	290,977	-	290,977
3rd Police Precinct	336,000	-	45,781	45,781	290,219	173,288	116,931
Facility space	113,000	-	-	-	113,000	-	113,000
800 MHZ digital radio system and towers	14,400,000	6,648,982	6,053,497	12,702,479	1,697,521	1,692,318	5,203
Fire Station # 15	7,955	-	1,299	1,299	6,656	-	6,656
Total Department of Public Safety							
	24,324,368	11,953,177	8,823,045	20,776,222	3,548,146	2,247,607	1,300,539

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year			
General construction projects, continued:						
Department of Public Works:						
1988 Road bond Referendum:						
Road improvement Group F	\$ 1,321	-	-	1,321	130	1,191
1994 Road Bond Referendum:						
Cedar Road phase 4 and 5	77,020	-	60,556	16,464	16,464	-
Cedar Road phase 1, 2, 3	4,869	-	-	4,869	4,869	-
Johnstown Road	159,265	-	81,853	77,412	71,225	6,187
Battlefield - South	305,578	305,578	-	-	-	-
Hanbury Road	108,807	11,321	33,522	44,843	54,526	9,438
Centerville Turnpike phase 1	141	141	-	-	-	-
George Washington Highway	37,427	-	14,423	14,423	16,295	6,709
Canal Drive	52,417	32,112	13,206	45,318	2,220	4,879
Jordan Bridge	55,549	44,300	-	44,300	9,640	1,609
Centerville/Land of Promise	101,581	1,581	73,145	74,726	-	26,855
Johnstown Road	134	-	-	134	-	134
Centerville/Land of Promise	5,034	3,303	347	3,650	-	1,384
Battlefield/Johnston/Hanbury	1,089,400	917,927	-	917,927	-	171,473
Management and inspection fees	1,495,874	1,482,359	-	1,482,359	-	13,515
Railroad crossing	134,782	-	-	-	134,782	134,782
Jordan Bridge repair	156,737	-	-	-	156,737	155,494
Cedar Road phase 1, 2, 3	49,546	1,300	-	1,300	1,243	14,340
Sidewalk improvement	73,864	453	55,392	55,845	33,906	18,019
Grade crossing improvement	460	-	-	460	-	460
Greenbrier Parkway intersection improvements	510	-	-	510	-	510
Battlefield Boulevard AIW Bridge	51,840	-	5,659	5,659	46,181	46,181
Chesapeake Expressway - Mt. Pleasant Road	40,400	-	29,003	29,003	-	11,397
Kempsville Road phase 1	73,600	-	-	-	73,600	73,600
Kempsville Road phase 2	261,900	-	-	-	261,900	261,900
Kempsville Road phase 3	62,300	-	-	-	62,300	62,300
Master road plan study	10,000	-	10,000	10,000	-	-
Parker road configuration	330,100	-	-	-	330,100	330,100
Portsmouth Boulevard phase IV	14,600	-	-	-	14,600	14,600
Salt storage building	250,000	-	-	-	250,000	250,000
Undesignated Public Works project	150,000	-	-	-	150,000	150,000
Volvo Parkway	8,600	-	-	-	8,600	8,600
Gilmerton Bridge internal repairs	356,305	-	356,305	356,305	-	-
Congestion mitigation air quality program	11,725	-	-	-	11,725	11,725
Dock Landing Road Extension Bridge	50,000	-	50,000	50,000	-	-
Kempsville Road PS relocation	2,700	-	-	-	2,700	2,700
Various traffic signals	150,000	-	35,853	35,853	-	114,147
West Branch Middle School	130,000	-	3,438	3,438	463	126,099

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1994 Road Bond Referendum 98 Series:							
Hanbury Road	\$ 781,889	427,040	126,477	553,517	228,372	21,184	207,188
George Washington Highway	36,018	-	26,345	26,345	9,673	5,803	3,870
Canal Drive/George Washington/Military Highway	347,029	283,508	19,272	302,780	44,249	5,341	38,908
Cedar Road phase 1, 2, 3, 4, 5	1,637,921	245,236	964,445	1,209,681	428,240	21,593	406,647
Johnstown Road	47,257	-	8,244	8,244	39,013	4,125	34,888
Railroad crossing	73,600	-	-	-	73,600	-	73,600
George Washington	111,055	-	53,443	53,443	57,612	-	57,612
Cedar Road phase 1, 2	58,855	155	49,960	50,115	8,740	-	8,740
Hanbury Road	123	123	-	123	-	-	-
Congestion mitigation air quality program	38,275	-	-	-	38,275	-	38,275
1986 Borrowing Authority -							
Facilities high priority renewal/replacement	7,674	-	-	-	7,674	-	7,674
1987 Borrowing Authority:							
Atlantic Avenue phase IV-Battlefield	5,511	-	-	-	5,511	-	5,511
Gum Road multi-use	15,684	-	-	-	15,684	-	15,684
1989 Borrowing Authority:							
Master road plan study	141,601	-	8,069	8,069	133,532	123,538	9,994
Portsmouth Boulevard phase IV	31,211	-	31,211	31,211	-	-	-
Atlantic Avenue III-Campostella	73,759	765	-	765	72,994	-	72,994
City strategic plan	50,000	-	50,000	50,000	-	-	-
Gum Road multi-use	688	-	-	-	688	-	688
Fuel tank leak prevention & detection	4,495	-	-	-	4,495	-	4,495
1992 Borrowing Authority:							
City-wide drainage	1	-	1	1	-	-	-
Atlantic Avenue phase 3	16,880	-	-	-	16,880	-	16,880
Atlantic Avenue phase 4	7,238	-	-	-	7,238	-	7,238
Gilmerton Bridge rehabilitation	19,260	19,260	-	19,260	-	-	-
Street lights	197,538	197,538	-	197,538	-	-	-
Undesignated Public Works projects	5,343	-	1,070	1,070	4,273	-	4,273
Portsmouth Boulevard phase IV	23,833	-	23,833	23,833	-	-	-
Gum Road multi-use	28,187	-	-	-	28,187	-	28,187
1993 Borrowing Authority:							
Railroad crossing improvements	199,337	199,337	-	199,337	-	-	-
Gilmerton Bridge	254	254	-	254	-	-	-
Street Lights	40,362	40,362	-	40,362	-	-	-
Dock Landing road extension	6,995	4,500	2,495	6,995	-	-	-
Portsmouth Boulevard phase IV	16,029	13,224	2,805	16,029	-	-	-
Various traffic signals	362,139	77,535	280,567	358,102	4,037	4,037	-
Poindexter Street improvement	27,115	-	-	-	27,115	-	27,115

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1994 Borrowing Authority:							
Greenbrier Parkway	\$ 150,000	91,780	58,000	149,780	220	-	220
Gilmerton Bridge	7,922	5,087	2,835	7,922	-	-	-
Various traffic signals	91,781	44,998	45,599	90,597	1,184	1,184	-
Kempsville Road PS relocation	7,860	4,058	-	4,058	3,802	-	3,802
Tyre Neck Road	3,270	-	-	-	3,270	-	3,270
Poindexter Street improvement	86,125	-	-	-	86,125	-	86,125
1995 Borrowing Authority:							
Bainbridge Boulevard drainage	16,670	-	-	-	16,670	-	16,670
Oak Grove Connector	85,640	-	74,511	74,511	11,129	11,102	27
Street lights	560,626	336,286	160,741	497,027	63,599	-	63,599
Hoover Railroad Crossing	240	-	-	-	240	-	240 *
Cedar Road phase 4 and 5	88,327	-	777	777	87,550	87,550	-
Undesignated Public Works projects	48,490	-	-	-	48,490	-	48,490
Gilmerton Bridge improvement	23,811	-	23,811	23,811	-	-	-
Portsmouth Boulevard phase IV	72,890	-	72,177	72,177	713	-	713
Various traffic signals	396,080	-	194,994	194,994	201,086	138,213	62,873
Infrastructure improvement	25,877	-	-	-	25,877	-	25,877
Poindexter Street improvement	1,510	-	-	-	1,510	-	1,510
Gum Road multi path	25,000	-	-	-	25,000	-	25,000
1996 Borrowing Authority:							
Providence Road	2,000	-	-	-	2,000	-	2,000
Dock Landing bikeway	20,133	-	-	-	20,133	-	20,133
Street lights	155,395	-	-	-	155,395	-	155,395
Route 17 Corridor	160,000	159,992	-	159,992	8	-	8 *
Bike lane signage	51,824	51,824	-	51,824	-	-	-
Atlantic Avenue/Battlefield Boulevard phase 4	126,862	-	-	-	126,862	-	126,862
Bruce/Bruin Roads	-	-	-	-	-	-	-
Wadsworth Overpass	14,850	-	-	-	14,850	-	14,850
Cedar Road	62,725	-	50,117	50,117	12,608	-	-
Kempsville Road phase 2	20,304	-	20,304	20,304	-	-	-
Kempsville Road phase 3	177,300	31,922	77,190	109,112	68,188	-	68,188
Gilmerton Bridge	8,900	4,613	4,287	8,900	-	-	-
Dock Landing Road Extension	44,667	-	18,700	18,700	25,967	-	25,967
Atlantic Avenue III- Compostella	78,441	-	-	-	78,441	-	78,441
Portsmouth Boulevard phase IV	16,436	-	-	-	16,436	-	16,436
Route 17/ M C Parkway/Old Mill	700,000	-	116,576	116,576	582,631	793	582,631
Undesignated Public Works projects	6,167	-	-	-	6,167	-	6,167
Kempsville Road PS relocation	9,640	-	-	-	9,640	-	9,640
Gilmerton Bridge	24,600	-	24,600	24,600	-	-	-

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1997 Borrowing Authority:							
Atlantic Avenue phase III	\$ 40,135	-	-	-	40,135	-	40,135
Atlantic Avenue phase IV	1,953	-	-	-	1,953	-	1,953
Kempsville Road phase 1	12,400	-	766	766	11,634	-	11,634
Kempsville Road phase 2	36,500	-	-	-	36,500	-	36,500
Kempsville Road phase 3	26,400	-	-	-	26,400	-	26,400
Gilmerton Bridge rehabilitation	345,099	23,000	(4,380)	18,620	326,479	-	326,479
Dock Landing - bikeway	72,000	-	-	-	72,000	-	72,000
Tyre Neck Road	530	-	-	-	530	-	530
Other funding sources:							
Route 104 Great Bridge Boulevard	242,186	-	-	-	242,186	-	242,186
Bunch Walnut Bridge	63,896	-	15,723	15,723	48,173	-	48,173
Battlefield/Great Bridge	26,109	592	-	592	25,517	-	25,517
Backwoods Bridge repair	198,328	4,495	11,619	16,114	182,214	2,695	179,519
Street lights	43,716	-	-	-	43,716	-	43,716
Bridge replacement	38,879	-	107	107	38,772	-	38,772
Landfill site	175,000	174,729	-	174,729	271	-	271
Providence Road	132	-	-	-	132	-	132
Gilmerton Bridge	2	-	2	2	-	-	-
Road improvements	368	-	-	-	368	-	368
Stormwater management	942,919	942,919	-	942,919	-	-	-
Kempsville Road	58,715	-	-	-	58,715	-	58,715
Bridge replacement - phase 1	236,920	121,607	2,343	123,950	112,970	-	112,970
Cedar Road phase 1, 2	298,597	12,927	47,243	60,170	238,427	-	238,427
GIS Stormwater development	73,670	73,670	-	73,670	-	-	-
Battlefield Boulevard AIW Bridge	30,840	-	1,828	1,828	29,012	-	29,012
Gum Road multi-use	27,562	-	-	-	27,562	-	27,562
Infrastructure improvements	466,718	-	-	-	466,718	-	466,718
Cedar Road phase 4 & 5	4,000,000	-	-	-	4,000,000	-	4,000,000
Chesapeake Expressway - Mt. Pleasant Road	159,600	-	-	-	159,600	-	159,600
Gilmerton Bridge - interim	363,695	-	111,934	111,934	251,761	-	251,761
Infrastructure improvements	7,405	-	-	-	7,405	-	7,405
Volvo/Progressive Drive signal	30,000	-	600	600	29,400	-	29,400
Intersection improvements	22,489	-	-	-	22,489	-	22,489
Repair and maintenance - roads	136,803	-	-	-	136,803	-	136,803
Battlefield Boulevard AIW Bridge	3,005,560	-	1,381,000	1,381,000	1,624,560	-	1,624,560
Greenbrier Parkway intersection improvements	148,000	-	-	-	148,000	-	148,000
Gum Road multi-use	500,000	-	-	-	500,000	-	500,000
Poindexter Street improvement	459,000	-	-	-	459,000	-	459,000
Rt. 104 Steel Bridge	6,000,000	-	-	-	6,000,000	-	6,000,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued: Department of Public Works, continued: Other funding sources, continued: Signal system upgrade	\$ 1,016,000	70,727	-	70,727	945,273	-	945,273
Total Department of Public Works	32,958,031	6,464,438	4,984,943	11,449,381	21,508,650	650,747	20,857,903
Department of Libraries:							
1995 Borrowing Authority: Replacement MJ Hillard Library	994	-	994	994	-	-	- *
1996 Borrowing Authority: Indian River Library expansion	34,000	34,000	-	34,000	-	-	-
1997 Borrowing Authority: MJ Hillard Library replacement	33,846	-	8,674	8,674	25,172	-	25,172
Other funding sources: Indian River Library expansion	327,700	11,932	187,135	199,067	128,633	112,546	16,087
Total Department of Libraries	396,540	45,932	196,803	242,735	153,805	112,546	41,259
Department of Parks, Recreation and Property Maintenance:							
1994 Borrowing Authority: Western Branch Park phase 2	2,275,200	2,183,894	74,379	2,258,273	16,927	-	16,927
1995 Borrowing Authority: Riprap - Elizabeth River Park	121,000	-	-	-	121,000	-	121,000
1996 Borrowing Authority: Park land acquisition	1,309,895	817,658	294,515	1,112,173	197,722	-	197,722
Deep Creek Park	123,393	121,242	-	121,242	2,151	-	2,151 *
Other funding sources: New parks open space	232,920	147,247	32,597	179,844	53,076	9,794	43,282
Georgetown Elementary School - lights	105,000	-	-	-	105,000	-	105,000
Cheshire Forest Park	42,433	42,433	-	42,433	-	-	- *
Stonegate Park	41,292	41,292	-	41,292	-	-	- *
Oak Grove play area	40,560	27,294	-	27,294	13,266	-	13,266
Goose Creek Park - neighborhood park	1,911	1,911	-	1,911	-	-	- *
Creekwood South Park - neighborhood park	34,560	-	34,560	34,560	-	-	- *
Develop new park	71,880	-	-	-	71,880	56,881	14,999
Cedar Crossings Park	13,275	-	-	-	13,275	-	13,275
Develop new park	5,649	-	-	-	5,649	-	5,649
Total Department of Parks, Recreation and Property Maintenance	4,418,968	3,382,971	436,051	3,819,022	599,946	66,675	533,271
Total general construction projects	84,707,793	27,095,694	17,697,660	44,793,354	39,914,439	3,928,051	35,986,388

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

Fund and Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
Revenue sharing projects:							
General government							
Juvenile and Domestic Court reseal windows	\$ 56,797	-	54,103	54,103	2,694	-	2,694
Department of Public Works:							
Route 168, South of Hillwell	27,207	27,207	-	27,207	-	-	-
Street lights	21,254	7,648	-	7,648	13,606	-	13,606
Atlantic Avenue III-Campostella	4,627	-	-	-	4,627	-	4,627
Master road plan study	8,399	-	8,399	8,399	-	-	-
Gum Road multi-use	27,879	-	-	-	27,879	-	27,879
Total Department of Public Works	89,366	34,855	8,399	43,254	46,112	-	46,112
Total revenue sharing projects	146,163	34,855	62,502	97,357	48,806	-	48,806
Total general construction	84,853,956	27,130,549	17,760,162	44,890,711	39,963,245	3,928,051	36,035,194
Community development projects:							
Compositella	2,320,294	1,138,967	294,231	1,433,198	887,096	6,105	880,991
Queen City	17,946	4,652	-	4,652	13,294	-	13,294
Total community development projects	2,338,240	1,143,619	294,231	1,437,850	900,390	6,105	894,285
Lease revenue bonds (trustee):							
Circuit Court Building	-	767,371	311,197	1,078,568	(1,078,568)	-	(1,078,568)
City Jail addition/renovation	-	-	164,882	164,882	(164,882)	-	(164,882)
Total lease revenue bonds (trustee)	-	767,371	476,079	1,243,450	(1,243,450)	-	(1,243,450)
Supplemental agreements (trustee)							
Oak Grove Connector	-	2,039,184	21,624	2,060,808	(2,060,808)	-	(2,060,808)
Total expenditures	\$ 87,192,196	31,080,723	18,552,096	49,632,819	37,559,377	3,934,156	33,625,221
Less completed projects				(3,676,771)			
Construction In Progress			\$ 45,956,048				

* Completed projects

Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

Animal Control Fund – To account for revenues and expenditures related to animal control activities.

School Community Health Fees Fund – To account for revenues and expenditures related to School community health activities.

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.

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 designated for education.



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2002

	Special Revenue Funds					
	Virginia Public Assistance	Community Services	Conference Center	Community Development	Interagency Consortium	Community Corrections
ASSETS						
Cash and temporary investments	\$ -	3,457,632	817,174	8,873	356,812	30,294
Intergovernmental revenues due from:						
Commonwealth of Virginia	346,254	-	-	-	465,360	-
Federal government	983,237	-	-	162,698	-	-
Receivables:						
Accounts receivable	-	-	120,124	-	48,678	-
Interest	-	-	-	-	-	-
Other	-	-	-	20,000	-	-
Total assets	\$ 1,329,491	3,457,632	937,298	191,571	870,850	30,294
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 297,907	290,763	90,397	52,223	314,583	3,555
Deposits	-	-	47,821	-	-	-
Deferred revenues	-	227,368	-	-	-	16,107
Due to other funds	900,245	-	317,009	-	-	-
Total liabilities	1,198,152	518,131	455,227	52,223	314,583	19,662
Fund balances						
Reserved	35,941	21,874	41,574	16,411	-	6,300
Unreserved:						
Designated	-	-	47	-	-	-
Undesignated	95,398	2,917,627	440,450	122,937	556,267	4,332
Total fund balances	131,339	2,939,501	482,071	139,348	556,267	10,632
Total liabilities and fund balances	\$ 1,329,491	3,457,632	937,298	191,571	870,850	30,294

Animal Control	School Community Health Fees	Fee Supported Activities	Grants	Permanent Funds		Total Nonmajor Governmental Funds
				Poor	Carney	
65,297	23,208	159,092	995,342	132,926	10,482	6,057,132
-	-	-	80,609	-	-	892,223
-	-	-	762,417	-	-	1,908,352
7,833	-	5,148	-	-	-	181,783
-	-	-	-	792	98	890
-	-	-	-	-	-	20,000
73,130	23,208	164,240	1,838,368	133,718	10,580	9,060,380
24,845	251	1,270	112,896	-	-	1,188,690
-	-	-	-	-	-	47,821
-	-	-	19,554	-	-	263,029
-	-	-	-	-	-	1,217,254
24,845	251	1,270	132,450	-	-	2,716,794
28,777	-	-	500,535	11,295	1,500	664,207
-	-	-	-	-	-	47
19,508	22,957	162,970	1,205,383	122,423	9,080	5,679,332
48,285	22,957	162,970	1,705,918	133,718	10,580	6,343,586
73,130	23,208	164,240	1,838,368	133,718	10,580	9,060,380

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2002

	Special Revenue Funds					
	Virginia Public Assistance	Community Services	Conference Center	Community Development	Interagency Consortium	Community Corrections
REVENUES						
Restaurant food tax	\$ -	-	1,164,267	-	-	-
Lodging sales tax	-	-	334,756	-	-	-
Licenses, permits, and fees	-	-	-	-	-	-
Intergovernmental revenues:						
Commonwealth of Virginia	3,640,811	4,818,401	-	-	2,508,367	458,077
Federal Government	7,651,148	1,169,863	-	1,335,885	-	-
Recovered costs	3,224	1,456	4,193	-	731	-
Investment income	-	45,882	8,783	119	4,777	405
Charges for services	5,549	1,657,251	2,226,490	-	-	-
Miscellaneous local revenues	-	-	778	-	-	-
Program income	-	-	-	716,253	-	-
Total revenues	11,300,732	7,692,853	3,739,267	2,052,257	2,513,875	458,482
EXPENDITURES						
Current:						
General government	-	-	3,287,932	-	-	475,700
Public safety	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Public welfare	16,800,195	11,575,090	-	1,783,377	4,344,408	-
Capital outlay	56,917	51,597	-	-	-	-
Total expenditures	16,857,112	11,626,687	3,287,932	1,783,377	4,344,408	475,700
Excess (deficiency) of revenues over (under) expenditures	(5,556,380)	(3,933,834)	451,335	268,880	(1,830,533)	(17,218)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds (note 8)	4,974,962	3,480,949	-	-	2,241,086	26,297
Transfers to other funds (note 8)	(1,339,269)	(61,242)	(451,335)	(294,350)	(4,777)	(8,425)
Total other financing sources (uses)	3,635,693	3,419,707	(451,335)	(294,350)	2,236,309	17,872
Net change in fund balances	(1,920,687)	(514,127)	-	(25,470)	405,776	654
Fund balance - beginning	2,052,026	3,453,628	482,071	164,818	150,491	9,978
Fund balance - ending	\$ 131,339	2,939,501	482,071	139,348	556,267	10,632

Animal Control	School Community Health Fees	Fee Supported Activities	Grants	Permanent Funds		Total Nonmajor Governmental Funds
				Poor	Carney	
-	-	-	-	-	-	1,164,267
-	-	-	-	-	-	334,756
133,720	-	-	-	-	-	133,720
-	-	-	753,183	-	-	12,178,839
-	-	-	3,426,511	-	-	13,583,407
-	-	-	-	-	-	9,604
849	-	2,130	3,666	5,505	450	72,566
-	531	95,383	-	-	-	3,985,204
2,542	-	-	20,774	-	-	24,094
-	-	-	-	-	-	716,253
137,111	531	97,513	4,204,134	5,505	450	32,202,710
-	28,682	-	1,015,555	-	-	4,807,869
912,034	-	42,112	2,013,981	-	-	2,968,127
-	-	-	347,667	-	-	347,667
-	-	-	191,531	-	-	34,694,601
-	-	-	541,033	-	-	649,547
912,034	28,682	42,112	4,109,767	-	-	43,467,811
(774,923)	(28,151)	55,401	94,367	5,505	450	(11,265,101)
747,604	-	-	650,130	-	-	12,121,028
(849)	-	(2,130)	(57,005)	-	-	(2,219,382)
746,755	-	(2,130)	593,125	-	-	9,901,646
(28,168)	(28,151)	53,271	687,492	5,505	450	(1,363,455)
76,453	51,108	109,699	1,018,426	128,213	10,130	7,707,041
48,285	22,957	162,970	1,705,918	133,718	10,580	6,343,586

CITY OF CHESAPEAKE, VIRGINIA

Virginia Public Assistance Fund

Schedule of Revenues and Other Financing Source - Budget and Actual

Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 3,980,751	3,640,811	(339,940)
Federal government	7,952,340	7,651,148	(301,192)
Total intergovernmental revenues	11,933,091	11,291,959	(641,132)
Recovered costs	-	3,224	3,224
Charges for services	14,000	5,549	(8,451)
Total revenues	11,947,091	11,300,732	(646,359)
OTHER FINANCING SOURCE			
Transfer from the General Fund	4,974,962	4,974,962	-
Total revenues and other financing source	\$ 16,922,053	16,275,694	(646,359)

CITY OF CHESAPEAKE, VIRGINIA

Virginia Public Assistance Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Bureau of Public Assistance	\$ 3,479,164	3,797,811	-	3,797,811	(318,647)	-	(318,647)
Administration	8,873,295	9,204,974	56,917	9,261,891	(388,596)	29,742	(418,338)
Employment Service Program/VIEW	3,702,222	2,980,700	-	2,980,700	721,522	6,006	715,516
Food Stamp Administration	866,048	816,710	-	816,710	49,338	193	49,145
Social Services grants	10,616	-	-	-	10,616	-	10,616
Total expenditures and encumbrances	\$ 16,931,345	16,800,195	56,917	16,857,112	74,233	35,941	38,292

CITY OF CHESAPEAKE, VIRGINIA

Community Services Fund

Schedule of Revenues and Other Financing Source - Budget and Actual

Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	853,292	820,347	(32,945)
State grants	102,457	3,125	(99,332)
Mental health grants	3,153,897	3,300,869	146,972
Mental retardation grants	657,019	694,060	37,041
Total from the Commonwealth of Virginia	4,766,665	4,818,401	51,736
From the Federal government:			
Substance abuse and mental health and retardation grant	1,135,716	1,169,863	34,147
Charges for services:			
Mental health fees	770,389	721,350	(49,039)
Mental retardation fees	339,685	352,369	12,684
Mental retardation Medicaid waivers	334,345	348,141	13,796
Substance abuse fees	122,748	235,391	112,643
Total charges for services	1,567,167	1,657,251	90,084
Recovered costs	-	1,456	1,456
Investment income	-	45,882	45,882
Total revenues	7,469,548	7,692,853	223,305
OTHER FINANCING SOURCE			
Transfer from the General Fund	3,480,949	3,480,949	-
Total revenues and other financing source	\$ 10,950,497	11,173,802	223,305

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-6

Community Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Community Services Board	\$ 154,256	(46,049)	—	(46,049)	200,305	—	200,305
Mental health, mental retardation and substance abuse programs	11,292,416	11,621,139	51,597	11,672,736	(380,320)	21,874	(402,194)
Total expenditures and encumbrances	\$ 11,446,672	11,575,090	51,597	11,626,687	(180,015)	21,874	(201,889)

CITY OF CHESAPEAKE, VIRGINIA

Conference Center Fund
 Schedule of Revenues - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,150,000	1,164,267	14,267
Lodging sales tax	313,000	334,756	21,756
Recovered costs	6,420	4,193	(2,227)
Investment income	-	8,783	8,783
Charges for services	2,408,066	2,226,490	(181,576)
Miscellaneous revenues	-	778	778
Total revenues	\$ 3,877,486	3,739,267	(138,219)

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-8

Conference Center Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General government	\$ 3,621,987	3,287,932	-	3,287,932	334,055	41,574	292,481
Total expenditures and encumbrances	\$ 3,621,987	3,287,932	-	3,287,932	334,055	41,574	292,481

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund,
 Animal Control Fund, School Community Health Fees Fund, Fee Supported Activities Fund and Grants Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Actual	Variance Positive (Negative)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,602,000	1,253,251	(348,749)
Home Rehabilitation Program	622,000	82,634	(539,366)
Program income	737,141	716,253	(20,888)
Investment income	—	119	119
Total revenues	\$ 2,961,141	2,052,257	(908,884)
Interagency Consortium Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Interagency Youth and Family Consortium Grant	\$ 3,047,004	2,508,367	(538,637)
Recovered costs	—	731	731
Investment income	—	4,777	4,777
Total revenues	3,047,004	2,513,875	(533,129)
Other financing sources			
Transfer from the General Fund	1,200,504	1,200,504	—
Transfer from other funds	1,040,582	1,040,582	—
Total other financing sources	2,241,086	2,241,086	—
Total revenues and other financing sources	\$ 5,288,090	4,754,961	(533,129)
Community Corrections Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 464,886	458,077	(6,809)
Investment income	—	405	405
Total revenues	464,886	458,482	(6,404)
Other financing source - transfer from the General Fund	26,297	26,297	—
Total revenues and other financing source	\$ 491,183	484,779	(6,404)
Animal Control Fund			
Revenues			
Permits, fees & licenses	\$ 121,777	133,720	11,943
Miscellaneous revenues	3,117	2,542	(575)
Investment income	—	849	849
Total revenues	124,894	137,111	12,217
Other financing source - transfer from the General Fund	747,604	747,604	—
Total revenues and other financing source	\$ 872,498	884,715	12,217
School Community Health Fees Fund			
Revenues			
Charges for services	\$ —	531	531
Fee Supported Activities Fund			
Revenues			
Charges for services	\$ 50,000	95,383	45,383
Investment income	—	2,130	2,130
Total revenues	\$ 50,000	97,513	47,513
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 987,044	753,183	(233,861)
Federal government	3,944,561	3,426,511	(518,050)
Investment income	—	3,666	3,666
Miscellaneous revenues	23,475	20,774	(2,701)
Total revenues	4,955,080	4,204,134	(750,946)
Other financing sources			
Transfer from the General Fund	531,671	531,671	—
Transfer from other funds	118,459	118,459	—
Total other financing sources	650,130	650,130	—
Total revenues and other financing sources	\$ 5,605,210	4,854,264	(750,946)

CITY OF CHESAPEAKE, VIRGINIA

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD-Twenty-One:							
Administrative project costs	\$ 88,188	88,188	-	88,188	-	-	-
Other project costs	63,000	62,499	-	62,499	501	-	501
HOME program grant	511,688	511,688	-	511,688	-	-	-
Total HUD-Twenty-One	662,876	662,375	-	662,375	501	-	501
HUD-Twenty-Two:							
Administrative project costs	7,495	7,505	(10)	7,495	-	-	-
Other project costs	40,000	-	-	-	40,000	-	40,000
HOME program grant	503,000	503,000	-	503,000	-	-	-
Total HUD-Twenty-Two	550,495	510,505	(10)	510,495	40,000	-	40,000
HUD-Twenty-Three:							
Administrative project costs	262,009	261,834	-	261,834	175	-	175
Other project costs	35,569	34,999	-	34,999	570	-	570
HOME program grant	493,311	357,878	94,493	452,371	40,940	-	40,940
Finance grant	19,299	19,299	-	19,299	-	-	-
Section 108 debt service	420,000	153,445	-	153,445	266,555	-	266,555
Total HUD-Twenty-Three	1,230,188	827,455	94,493	921,948	308,240	-	308,240
HUD-Twenty-Four:							
Administrative project costs	306,496	306,300	-	306,300	196	-	196
Other project costs	188,954	150,073	6,222	156,295	32,659	-	32,659
HOME program grant	588,613	355,778	153,455	509,233	79,380	-	79,380
Rehabilitation	99,359	99,359	-	99,359	-	-	-
Fire Department grant	4,458	2,247	1,435	3,682	776	-	776
Environmental grants	94,400	93,049	-	93,049	1,351	-	1,351
Finance grant	30,102	20,278	-	20,278	9,824	-	9,824
Section 108 debt service	420,000	348,120	-	348,120	71,880	-	71,880
Pughsville sewer assistance	144,607	900	-	900	143,707	-	143,707
Total HUD-Twenty-Four	1,876,989	1,376,104	161,112	1,537,216	339,773	-	339,773

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Appropriations	Expenditures - Public Welfare		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
HUD-Twenty-Five:							
Administrative project costs	\$ 246,994	246,043	-	246,043	951	-	951
Other project costs	284,808	272,246	7,620	279,866	4,942	-	4,942
HOME program grant	1,424,912	1,276,399	(74,231)	1,202,168	222,744	-	222,744
Rehabilitation	274,949	179,168	11,649	190,817	84,132	-	84,132
Environmental grants	102,269	102,269	-	102,269	-	-	-
Finance grant	22,658	21,212	-	21,212	1,446	-	1,446
Section 108 debt service	420,000	348,010	-	348,010	71,990	-	71,990
Total HUD-Twenty-Five	2,776,590	2,445,347	(54,962)	2,390,385	386,205	-	386,205
HUD-Twenty-Six:							
Administrative project costs	244,630	237,517	-	237,517	7,113	-	7,113
Other project costs	202,325	176,865	18,441	195,306	7,019	-	7,019
HOME program grant	1,163,492	436,810	387,730	824,540	338,952	-	338,952
Rehabilitation	95,417	34,401	1,425	35,826	59,591	-	59,591
Environmental grants	100,529	83,406	7,922	91,328	9,201	3,400	5,801
Finance grant	22,818	15,167	-	15,167	7,651	-	7,651
Section 108 debt service	483,050	347,090	-	347,090	135,960	-	135,960
Total HUD-Twenty-Six	2,312,261	1,331,256	415,518	1,746,774	565,487	3,400	562,087
HUD-Twenty-Seven:							
Administrative project costs	259,393	-	256,760	256,760	2,633	1,080	1,553
Other project costs	324,566	-	217,430	217,430	107,136	8,469	98,667
HOME program grant	1,169,137	-	152,976	152,976	1,016,161	-	1,016,161
Rehabilitation	113,461	-	47,931	47,931	65,530	-	65,530
Environmental grants	150,421	-	114,616	114,616	35,805	3,462	32,343
Finance grant	28,331	-	27,284	27,284	1,047	-	1,047
Section 108 debt service	420,000	-	350,229	350,229	69,771	-	69,771
Total HUD-Twenty-Seven	2,465,309	-	1,167,226	1,167,226	1,298,083	13,011	1,285,072
Total expenditures and encumbrances	\$ 11,874,708	7,153,042	1,783,377	8,936,419	2,938,289	16,411	2,921,878

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-11

Interagency Consortium Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Contract services	\$ 5,230,476	4,153,149	-	4,153,149	1,077,327	-	1,077,327
Administrative expenses	208,105	191,259	-	191,259	16,846	-	16,846
Total expenditures and encumbrances	\$ 5,438,581	4,344,408	-	4,344,408	1,094,173	-	1,094,173

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-12

Community Corrections Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
General government:							
Diversion services	\$ 210,734	208,653	-	208,653	2,081	3,710	(1,629)
SABRE	39,562	39,749	-	39,749	(187)	-	(187)
Pre-trial services	242,165	227,298	-	227,298	14,867	2,590	12,277
Total expenditures and encumbrances	\$ 492,461	475,700	-	475,700	16,761	6,300	10,461

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-13

Animal Control Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 940,811	912,034	-	912,034	28,777	28,777	-
Total expenditures and encumbrances	\$ 940,811	912,034	-	912,034	28,777	28,777	-

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-14

School Community Health Fees Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay			
General government	\$ 41,023	28,682	-	12,341	-	12,341
EXPENDITURES - General government	\$ 41,023	28,682	-	12,341	-	12,341
Total expenditures and encumbrances	\$ 41,023	28,682	-	12,341	-	12,341

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-15

Fee Supported Activities Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2002

	Revised Budget	Expenditures		Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay			
EXPENDITURES						
Public safety - Inspections & Demolition	\$ 50,000	42,112	-	42,112	-	7,888
Total expenditures and encumbrances	\$ 50,000	42,112	-	42,112	-	7,888

CITY OF CHESAPEAKE, VIRGINIA

Schedule N-16

Grants Fund

Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2002

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Year	Current Year	Total Expenditures			
EXPENDITURES							
General government	\$ 5,226,195	2,296,884	1,367,311	3,664,195	1,562,000	225,282	1,336,718
Public safety	7,583,547	3,757,734	2,203,258	5,960,992	1,622,555	275,253	1,347,302
Parks	678,455	298,618	347,667	646,285	32,170	-	32,170
Public welfare	1,655,938	344,545	191,531	536,076	1,119,862	-	1,119,862
Total expenditures and encumbrances	\$ 15,144,135	6,697,781	4,109,767	10,807,548	4,336,587	500,535	3,836,052

Nonmajor Enterprise Funds

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1

Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2002

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and temporary investments	\$ 298,594	698,324	874,130	1,871,048
Receivables:				
Accounts	2,071	36,843	118	39,032
Inventory of materials and supplies	2,337	-	5,204	7,541
Total current assets	303,002	735,167	879,452	1,917,621
Noncurrent assets:				
Capital assets:				
Land	-	383,694	-	383,694
Buildings	-	19,624	10,822	30,446
Improvements other than buildings	73,793	-	-	73,793
Equipment and vehicles	48,543	143,722	102,408	294,673
Infrastructure	-	4,987,390	-	4,987,390
Less accumulated depreciation	(48,850)	(2,863,300)	(104,538)	(3,016,688)
Total capital assets, net of accumulated depreciation	73,486	2,671,130	8,692	2,753,308
Total noncurrent assets	73,486	2,671,130	8,692	2,753,308
Total assets	\$ 376,488	3,406,297	888,144	4,670,929
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	1,689	5,255	12,059	19,003
Accrued expenses and other liabilities	393	7,054	-	7,447
Deferred revenues	6,781	-	34,894	41,675
Current portion of accrued vacation, sick pay, and overtime leave	803	21,635	2,531	24,969
Total current liabilities	9,666	33,944	49,484	93,094
Noncurrent liabilities:				
Accrued vacation, sick pay and overtime leave	1,339	36,057	4,217	41,613
Advances from General Fund	-	303,000	-	303,000
Total noncurrent liabilities	1,339	339,057	4,217	344,613
Total liabilities	11,005	373,001	53,701	437,707
Net Assets				
Invested in capital assets, net of related debt	73,486	2,671,130	8,692	2,753,308
Unrestricted	291,997	362,166	825,751	1,479,914
Total net assets	365,483	3,033,296	834,443	4,233,222
Total liabilities and net assets	\$ 376,488	3,406,297	888,144	4,670,929

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-2

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2002

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services:				
Tolls and tickets	\$ -	1,109,997	-	1,109,997
Recreation fees	125,909	-	542,779	668,688
Other	-	1,607	191	1,798
Total operating revenues	125,909	1,111,604	542,970	1,780,483
OPERATING EXPENSES				
Purchases for resale	12,821	-	31,040	43,861
Other salaries and wages	37,114	496,857	83,940	617,911
Other fringe benefits	10,093	149,967	14,978	175,038
Other repairs and supplies	10,425	12,831	24,345	47,601
Depreciation and amortization	307	163,012	3,995	167,314
Recreation	-	-	236,487	236,487
Other	24,233	163,312	29,381	216,926
Total operating expenses	94,993	985,979	424,166	1,505,138
Operating income	30,916	125,625	118,804	275,345
NONOPERATING REVENUE				
Investment income	3,982	9,230	11,630	24,842
Total nonoperating revenue	3,982	9,230	11,630	24,842
Income before transfers	34,898	134,855	130,434	300,187
Transfers in	-	-	5,000	5,000
Transfers out	(8,982)	(9,230)	(11,630)	(29,842)
Increase in net assets	25,916	125,625	123,804	275,345
Total net assets - beginning	339,567	2,907,671	710,639	3,957,877
Total net assets - ending	\$ 365,483	\$ 3,033,296	\$ 834,443	\$ 4,233,222

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-3

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2002

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 129,699	1,074,761	551,778	1,756,238
Payments to suppliers	(48,385)	(175,470)	(344,376)	(568,231)
Payments to employees	(46,791)	(632,302)	(98,703)	(777,796)
Net cash provided by operating activities	34,523	266,989	108,699	410,211
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	5,000	5,000
Transfers out	(5,000)	-	-	(5,000)
Net cash provided by (used in) noncapital financing activities	(5,000)	-	5,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(68,580)	(19,624)	-	(88,204)
Net cash used in capital and related financing activities	(68,580)	(19,624)	-	(88,204)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	3,982	9,230	11,630	24,842
Transfers out	(3,982)	(9,230)	(11,630)	(24,842)
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and temporary investments	(39,057)	247,365	113,699	322,007
Cash and temporary investments beginning of year	337,651	450,959	760,431	1,549,041
Cash and temporary investments end of year	\$ 298,594	698,324	874,130	1,871,048

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-3, Continued

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2002

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 30,916	125,625	118,804	275,345
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	307	163,012	3,995	167,314
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Accounts receivable	124	(36,843)	(58)	(36,777)
Inventory of materials and supplies	(11)	-	564	553
Accounts payable	(895)	673	(23,687)	(23,909)
Deferred revenues	3,666	-	8,866	12,532
Accrued expenses and other liabilities	108	1,677	(865)	920
Accrued vacation, sick pay, and overtime leave	308	12,845	1,080	14,233
Total adjustments	3,607	141,364	(10,105)	134,866
Net cash provided by operating activities	\$ 34,523	266,989	108,699	410,211

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Internal Service Funds

Central Stores Fund – To account for the maintenance of a central source of supplies for the various departments within the City. This fund was eliminated as of June 30, 2002.

Information Technology Fund – To account for the operation of the City's central computer systems.

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.



Combining Statement of Net Assets
 Internal Service Funds
 June 30, 2002

	Information Technology	City Garage	Self- Insurance	Total
ASSETS				
Current assets:				
Cash and temporary investments	\$ 1,185,624	3,936,832	16,720,132	21,842,588
Receivables:				
Accounts	97	41,729	-	41,826
Interest	-	-	66,043	66,043
Inventory of materials and supplies	-	409,675	-	409,675
Prepaid expenses	216	-	659,976	660,192
Total current assets	1,185,937	4,388,236	17,446,151	23,020,324
Noncurrent assets:				
Capital assets:				
Buildings	-	117,649	20,930	138,579
Improvements other than buildings	93,308	177,814	-	271,122
Equipment and vehicles	4,823,064	50,754,369	66,333	55,643,766
Less accumulated depreciation	(4,171,456)	(31,908,686)	(72,587)	(36,152,729)
Total capital assets, net of accumulated depreciation	744,916	19,141,146	14,676	19,900,738
Total noncurrent assets	744,916	19,141,146	14,676	19,900,738
Total assets	\$ 1,930,853	23,529,382	17,460,827	42,921,062
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 277,168	193,287	71	470,526
Current portion of obligations under capital leases	-	1,330,002	-	1,330,002
Current portion of notes payable	7,600	1,675,888	5,105	1,688,593
Current portion of accrued vacation, sick pay, and overtime leave	92,429	51,173	9,649	153,251
Current portion of liability for self-insurance losses	-	-	2,867,000	2,867,000
Total current liabilities	377,197	3,250,350	2,881,825	6,509,372
Noncurrent liabilities:				
Obligations under capital leases	-	4,266,671	-	4,266,671
Accrued vacation, sick pay, and overtime leave	154,047	85,289	16,081	255,417
Advances from General Fund	-	297,854	-	297,854
Liability for self-insurance losses	-	-	11,466,000	11,466,000
Total noncurrent liabilities	154,047	4,649,814	11,482,081	16,285,942
Total liabilities	531,244	7,900,164	14,363,906	22,795,314
Net Assets				
Invested in capital assets, net of related debt	737,316	11,868,585	9,571	12,615,472
Unrestricted	662,293	3,760,633	3,087,350	7,510,276
Total net assets	1,399,609	15,629,218	3,096,921	20,125,748
Total liabilities and net assets	\$ 1,930,853	23,529,382	17,460,827	42,921,062

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-2

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Internal Service Funds
 Year Ended June 30, 2002

	Central Stores	Information Technology	City Garage	Self- Insurance	Total
OPERATING REVENUES					
Billings to departments	\$ 706,970	4,620,618	10,452,014	4,762,304	20,541,906
Other	-	-	191,181	-	191,181
Total operating revenues	706,970	4,620,618	10,643,195	4,762,304	20,733,087
OPERATING EXPENSES					
Cost of materials billed	651,211	-	3,216,109	-	3,867,320
Other salaries and wages	27,062	2,368,886	1,533,298	149,067	4,078,313
Other fringe benefits	8,886	645,401	461,295	41,404	1,156,986
Liability for self-insurance losses	-	-	-	3,150,821	3,150,821
Indemnity and medical claims	-	-	-	1,388,322	1,388,322
Other repairs and supplies	774	839,043	825,404	3,672	1,668,893
Equipment rental	-	310,119	6,639	694	317,452
Other contractual services	-	177,091	84,001	1,167,724	1,428,816
Depreciation and amortization	2,706	614,642	4,016,440	15,528	4,649,316
Insurance premiums	-	37,959	81,441	690,001	809,401
Other	22,675	277,800	295,442	36,867	632,784
Total operating expenses	713,314	5,270,941	10,520,069	6,644,100	23,148,424
Operating income (loss)	(6,344)	(650,323)	123,126	(1,881,796)	(2,415,337)
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,919	15,417	43,000	644,301	705,637
Interest expense	-	(760)	(415,125)	(510)	(416,395)
Loss on sale of equipment	-	(1,726)	-	-	(1,726)
Total nonoperating revenues (expenses)	2,919	12,931	(372,125)	643,791	287,516
Loss before transfers and contributions	(3,425)	(637,392)	(248,999)	(1,238,005)	(2,127,821)
Transfers in	2,653	290,013	2,294,010	7,736	2,594,412
Transfers out	(197,670)	(266,786)	(133,920)	(5,763)	(604,139)
Capital contributions	-	105,715	-	-	105,715
Increase (decrease) in net assets	(198,442)	(508,450)	1,911,091	(1,236,032)	(31,833)
Total net assets - beginning	198,442	1,908,059	13,718,127	4,332,953	20,157,581
Total net assets - ending	\$ -	1,399,609	15,629,218	3,096,921	20,125,748

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2002

	Central Stores	Information Technology	City Garage	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 707,976	4,629,688	10,510,466	4,762,304	20,610,434
Payments to suppliers	(676,551)	(1,511,722)	(4,650,541)	(5,731,321)	(12,570,135)
Payments to employees	(40,003)	(2,983,196)	(1,964,603)	(189,975)	(5,177,777)
Net cash provided by (used in) operating activities	(8,578)	134,770	3,895,322	(1,158,992)	2,862,522
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	2,653	290,013	-	7,736	300,402
Transfers out	(194,751)	(251,369)	(90,920)	(5,763)	(542,803)
Net cash provided by (used in) noncapital financing activities	(192,098)	38,644	(90,920)	1,973	(242,401)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from obligations under equipment capital leases	-	-	1,246,665	-	1,246,665
Transfers in	-	-	2,294,010	-	2,294,010
Proceeds from sale of assets	-	-	46,149	-	46,149
Acquisition of capital assets	-	(294,788)	(3,032,196)	-	(3,326,984)
Interest paid	-	(760)	(415,125)	(510)	(416,395)
Repayments of obligations under capital leases	-	-	(1,123,175)	(5,105)	(1,128,280)
Repayments of notes payable	-	(7,600)	(1,680,993)	-	(1,688,593)
Net cash used in capital and related financing activities	-	(303,148)	(2,664,665)	(5,615)	(2,973,428)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	2,919	15,417	43,000	656,212	717,548
Transfers out	(2,919)	(15,417)	(43,000)	-	(61,336)
Net cash provided by investing activities	-	-	-	656,212	656,212
Net increase (decrease) in cash and temporary investments	(200,676)	(129,734)	1,139,737	(506,422)	302,905
Cash and temporary investments beginning of year	200,676	1,315,358	2,797,095	17,226,554	21,539,683
Cash and temporary investments end of year	\$ -	1,185,624	3,936,832	16,720,132	21,842,588

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3, Continued

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2002

	Central Stores	Information Technology	City Garage	Self- Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (6,344)	(650,323)	123,126	(1,881,796)	(2,415,337)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,706	614,642	4,016,440	15,528	4,649,316
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Accounts receivable	1,006	9,070	(9,566)	-	510
Inventory of materials and supplies	16,451	-	50,010	-	66,461
Prepaid expenses	209	22,277	-	(198,361)	(175,875)
Accounts payable	(18,551)	108,013	(191,515)	(79,859)	(181,912)
Liability for self insurance losses	-	-	-	985,000	985,000
Accrued vacation, sick pay, and overtime leave	(4,055)	31,091	29,990	496	57,522
Due to other funds	-	-	(123,163)	-	(123,163)
Total adjustments	(2,234)	785,093	3,772,196	722,804	5,277,859
Net cash provided by (used in) operating activities	\$ (8,578)	134,770	3,895,322	(1,158,992)	2,862,522

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STATISTICAL SECTION



Table 1

CITY OF CHESAPEAKE, VIRGINIA

General Governmental Expenditures by Function (1), (2), (6)
Last Ten Fiscal Years - Unaudited

Fiscal Year	General Government (3) (4)	Public Safety	Public Welfare	Education (5)	Public Works	Debt Service	Total Expenditures
1993	\$ 42,284,271	34,850,946	17,549,071	149,745,967	27,003,931	17,754,763	289,188,949
1994	45,393,331	36,845,193	20,648,940	165,121,765	28,406,254	19,889,653	316,305,136
1995	50,801,735	40,773,104	22,318,049	179,201,339	28,806,835	22,463,097	344,364,159
1996	55,817,774	41,938,219	22,411,225	186,415,455	32,286,061	30,735,873	369,604,607
1997	62,979,549	43,015,921	22,891,119	205,902,731	32,229,556	33,336,595	400,355,471
1998	66,696,193	43,211,122	25,817,144	218,894,152	31,955,477	37,528,064	424,102,152
1999	84,878,479	45,866,887	27,815,709	232,498,090	33,233,637	38,361,952	462,654,754
2000	80,501,732	49,146,168	30,077,765	251,497,344	33,970,570	36,861,538	482,055,117
2001	85,418,849	52,721,899	31,156,049	266,104,342	35,047,846	45,315,195	515,764,180
2002	91,480,028	63,768,401	34,803,115	275,002,398	39,440,560	47,510,021	552,004,523

- (1) Includes the following funds: General, Special Revenue, Debt Service, Permanent, Mosquito Control Commissions - component unit, and Schools - component unit. Excluded funds are: Capital Projects - primary government, and Public Schools Capital Projects - component unit.
- (2) Equipment acquired through capital leases is included in appropriate expenditure functions.
- (3) General Government includes Parks and Mosquito Control Commissions - component unit.
- (4) Effective 2002, Mosquito Control Commissions expenditures are not separately presented in the City's fund financial statements.
Mosquito Commissions expenditures: 2002 - \$2,898,167
- (5) Source for Education expenditures: Chesapeake Public Schools Comprehensive Annual Financial Report
- (6) Transfer from City of Chesapeake to Chesapeake Public Schools is not included.

CITY OF CHESAPEAKE, VIRGINIA

General Governmental Expenditures by Function
Payroll, Capital Outlay and Other Expenditures (1) (2) (4) (6)
Last Ten Fiscal Years - Unaudited

Fiscal Year	General Government (3)	Public Safety	Public Welfare	Education (5)	Public Works	Debt Service	Total Expenditures
1993:							
Payroll	\$ 18,874,083	20,250,630	8,106,823	98,597,084	7,119,195	-	152,947,815
Capital Outlay	2,136,089	2,729,113	195,324	8,015,927	3,390,621	-	16,467,074
Other Expenditures	21,274,099	11,871,203	9,246,924	43,132,956	16,494,115	17,754,763	119,774,060
Total	\$ 42,284,271	34,850,946	17,549,071	149,745,967	27,003,931	17,754,763	289,188,949
1994:							
Payroll	\$ 20,560,311	21,660,765	8,461,687	108,700,098	9,719,045	-	169,101,906
Capital Outlay	2,593,766	2,608,787	170,560	2,512,713	2,177,142	-	10,062,968
Other Expenditures	22,239,254	12,575,641	12,016,693	53,908,954	16,510,067	19,889,653	137,140,262
Total	\$ 45,393,331	36,845,193	20,648,940	165,121,765	28,406,254	19,889,653	316,305,136
1995:							
Payroll	\$ 22,590,309	23,609,324	9,138,919	113,802,962	10,161,727	-	179,303,241
Capital Outlay	2,925,477	2,963,677	-	7,759,553	2,207,109	-	15,855,816
Other Expenditures	25,285,949	14,200,103	13,179,130	57,638,824	16,437,999	22,463,097	149,205,102
Total	\$ 50,801,735	40,773,104	22,318,049	179,201,339	28,806,835	22,463,097	344,364,159
1996:							
Payroll	\$ 24,577,085	24,388,866	9,245,404	120,665,888	9,875,932	-	188,753,175
Capital Outlay	1,788,732	3,848,795	351,168	5,510,135	4,346,062	-	15,844,892
Other Expenditures	29,451,957	13,700,558	12,814,653	60,239,432	18,064,067	30,735,873	165,006,540
Total	\$ 55,817,774	41,938,219	22,411,225	186,415,455	32,286,061	30,735,873	369,604,607
1997:							
Payroll	\$ 27,039,926	25,816,882	9,637,294	129,908,435	9,786,889	-	202,189,426
Capital Outlay	3,355,217	1,179,900	292,028	5,384,160	273,486	-	10,484,791
Other Expenditures	32,584,406	16,019,139	12,961,797	70,610,136	22,169,181	33,336,595	187,681,254
Total	\$ 62,979,549	43,015,921	22,891,119	205,902,731	32,229,556	33,336,595	400,355,471

CITY OF CHESAPEAKE, VIRGINIA

General Governmental Expenditures by Function

Payroll, Capital Outlay and Other Expenditures (1) (2) (4) (6)

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Government (3)	Public Safety	Public Welfare	Education (5)	Public Works	Debt Service	Total Expenditures
1998:							
Payroll	\$ 29,092,003	25,936,214	10,150,978	138,319,053	10,206,036	-	213,704,284
Capital Outlay	8,546,222	1,782,851	339,299	4,503,585	462,181	-	15,634,138
Other Expenditures	29,057,968	15,492,057	15,326,867	76,071,514	21,287,260	37,528,064	194,763,730
Total	\$ 66,696,193	43,211,122	25,817,144	218,894,152	31,955,477	37,528,064	424,102,152
1999:							
Payroll	\$ 33,074,728	27,934,332	10,972,892	146,420,730	10,528,926	-	228,931,608
Capital Outlay	9,693,290	591,094	511,798	4,751,889	397,623	-	15,945,694
Other Expenditures	42,110,461	17,341,461	16,331,019	81,325,471	22,307,088	38,361,952	217,777,452
Total	\$ 84,878,479	45,866,887	27,815,709	232,498,090	33,233,637	38,361,952	462,654,754
2000:							
Payroll	\$ 34,569,569	29,179,394	11,078,618	157,851,704	10,895,155	-	243,574,440
Capital Outlay	7,801,068	632,011	193,843	5,368,859	292,045	-	14,287,826
Other Expenditures	38,131,095	19,334,763	18,805,304	88,276,781	22,783,370	36,861,538	224,192,851
Total	\$ 80,501,732	49,146,168	30,077,765	251,497,344	33,970,570	36,861,538	482,055,117
2001:							
Payroll	\$ 37,248,996	30,363,846	11,338,452	169,169,358	11,473,436	-	259,594,088
Capital Outlay	8,023,337	1,580,703	361,298	4,561,497	351,078	-	14,877,913
Other Expenditures	40,146,516	20,777,350	19,456,299	92,373,487	23,223,332	45,315,195	241,292,179
Total	\$ 85,418,849	52,721,899	31,156,049	266,104,342	35,047,846	45,315,195	515,764,180
2002:							
Payroll	\$ 43,987,806	40,978,277	13,455,052	178,232,151	12,301,223	-	288,954,509
Capital Outlay	998,396	194,891	62,350	4,813,751	2,926,440	-	8,995,828
Other Expenditures	46,493,826	22,595,233	21,285,713	91,956,496	24,212,897	47,510,021	254,054,186
Total	\$ 91,480,028	63,768,401	34,803,115	275,002,398	39,440,560	47,510,021	552,004,523

(1) Includes the following funds: General, Special Revenue, Debt Service, Permanent, Mosquito Control Commissions - component unit, and Schools - component unit. Excluded funds are: Capital Projects - primary government and Public Schools Capital Projects - component unit.

(2) Equipment acquired through capital leases is included in appropriate expenditure functions.

(3) General Government includes Parks and Mosquito Control Commissions - component unit.

(4) Effective 2002, Mosquito Control Commissions expenditures are not separately presented in the City's fund financial statements. Expenditures are as follows:
 Fiscal Year 2002 Payroll: \$1,503,245 Capital: \$80,016 Other Expenditures: \$1,314,906 Total Expenditures: \$2,898,167

(5) Source for Education expenditures: Chesapeake Public Schools Comprehensive Annual Financial Report

(6) Transfer from City of Chesapeake to Chesapeake Public Schools is not included.

CITY OF CHESAPEAKE, VIRGINIA

Table 3

General Governmental Revenues by Source (1) (3) (4)
Last Ten Years - Unaudited

Fiscal Year	Licenses and Permits							Total
	Taxes	Charges for Services	Inter-Governmental (2)	Fines and Forfeits	Interest	Miscellaneous		
1993	\$ 166,774,916	1,603,186	116,992,542	4,274,483	896,539	1,988,600	2,405,734	294,936,000
1994	178,580,388	1,744,105	128,704,727	7,568,545	818,883	2,355,434	2,251,713	322,023,795
1995	191,623,403	1,553,504	140,895,466	8,953,466	1,368,627	4,854,193	3,170,988	352,419,647
1996	202,092,989	1,716,988	149,183,991	9,407,664	1,448,143	5,245,696	2,694,454	371,789,925
1997	219,906,699	1,713,142	160,005,128	9,742,113	1,525,173	5,706,437	4,320,574	402,919,266
1998	230,844,988	2,170,486	167,794,866	10,044,035	1,667,778	5,492,134	4,958,759	422,973,046
1999	240,360,713	2,110,755	188,928,454	13,084,237	1,723,467	4,914,967	6,516,433	457,639,026
2000	247,939,405	1,976,338	220,254,142	14,128,466	1,901,936	5,536,617	7,458,113	499,195,017
2001	253,752,539	1,749,404	239,705,685	15,541,151	1,753,633	7,558,394	7,848,765	527,909,571
2002	262,934,779	1,897,261	252,935,046	16,078,179	2,154,515	3,390,268	7,288,858	546,678,906

(1) Includes the following funds: General, Debt Service, Other Governmental (Special Revenue and Permanent), Mosquito Control Commissions - component unit, and Schools - component unit. Excluded funds are: Capital Projects - primary government, and Public Schools Capital Projects - component unit. Prior to 2002, Permanent Funds were also excluded.

(2) Transactions between Primary Government and Chesapeake Public Schools are not included.

(3) Mosquito Control Commissions' revenues by source:

Fiscal Year	Taxes	Intergovernmental	Interest	Misc.	Total
2002	\$ 3,221,931	\$ 1,251	\$ 55,957	\$ 10,754	\$ 3,289,893

(4) Source of Schools' revenues: Chesapeake Public Schools Comprehensive Annual Financial Report.

Fiscal Year	Intergovernmental	Charges for Services	Interest	Misc.	Total
2002	\$ 157,664,750	\$ 5,497,575	\$ 115,419	\$ 1,174,367	\$ 164,452,111

Table 4

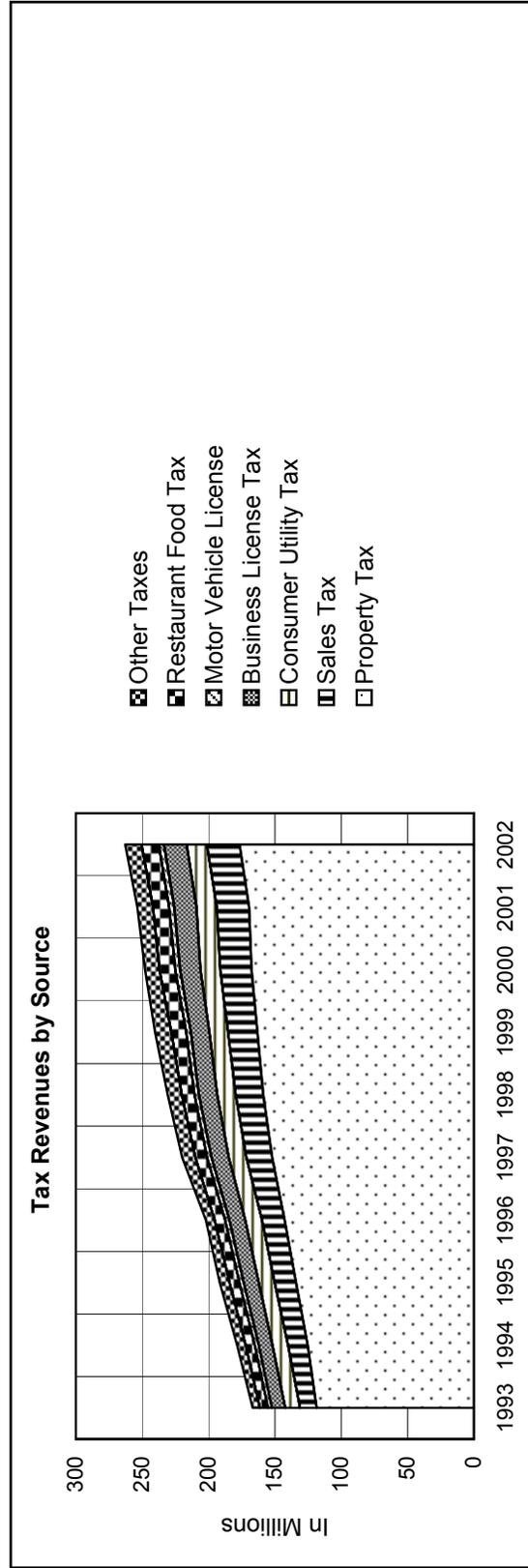
CITY OF CHESAPEAKE, VIRGINIA

General Governmental Tax Revenues by Source (1) (2)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Property Tax	Sales Tax	Consumer Utility Tax	Business License Tax	Motor Vehicle License	Restaurant Food Tax	Other Taxes	Total
1993	\$ 118,575,640	12,483,719	11,124,051	10,114,197	2,869,697	6,186,506	5,421,106	166,774,916
1994	125,246,509	14,882,164	11,723,962	10,345,819	2,997,741	6,841,297	6,542,896	178,580,388
1995	134,115,947	16,161,263	11,928,700	11,395,459	3,156,196	7,509,844	7,355,994	191,623,403
1996	142,660,366	17,068,323	12,660,795	11,892,026	3,260,863	7,991,000	6,559,616	202,092,989
1997	152,086,160	19,532,738	13,194,202	12,974,654	3,367,030	8,782,387	9,969,528	219,906,699
1998	158,782,835	20,772,443	13,932,133	13,769,477	3,439,649	9,479,871	10,668,580	230,844,988
1999	163,239,851	22,112,454	14,053,894	13,944,564	3,581,464	11,157,160	12,271,326	240,360,713
2000	167,635,276	23,663,457	14,802,636	15,361,241	3,741,920	11,800,294	10,934,581	247,939,405
2001	169,507,053	24,331,536	15,318,488	16,752,599	3,881,289	12,052,924	11,908,650	253,752,539
2002	176,722,376	24,622,093	15,191,835	17,068,149	4,022,740	12,825,349	12,482,237	262,934,779

(1) Includes General Fund, Special Revenue Fund and Mosquito Control Commissions - component unit.

(2) Mosquito Control Commissions property tax revenue: FY 2002 \$3,221,931



CITY OF CHESAPEAKE, VIRGINIA

Table 5

Analysis of School Operating Fund Revenues & Other Sources (1) (4)
Last Ten Fiscal Years - Unaudited

Fiscal Year	Federal (2)	% of Total		State	% of Total	Other	% of Total	Local (3)	% of Total	Total
1993	\$ 6,962,694	4.64%		\$ 77,086,309	51.40%	\$ 1,137,915	0.76%	\$ 64,798,547	43.20%	\$ 149,985,465
1994	6,565,817	4.17%		81,516,839	51.80%	1,061,171	0.67%	68,224,720	43.35%	157,368,547
1995	6,207,261	3.60%		88,579,455	51.42%	2,243,063	1.30%	75,234,233	43.67%	172,264,012
1996	6,431,399	3.54%		93,959,698	51.68%	1,254,887	0.69%	80,182,119	44.10%	181,828,103
1997	6,202,428	3.16%		100,984,971	51.43%	1,865,609	0.95%	87,282,119	44.46%	196,335,127
1998	7,411,383	3.55%		106,316,408	50.86%	1,881,496	0.90%	93,440,419	44.70%	209,049,706
1999	8,325,833	3.71%		114,554,124	51.08%	2,667,685	1.19%	98,729,248	44.02%	224,276,890
2000	10,162,509	4.18%		127,451,633	52.42%	2,625,985	1.08%	102,876,514	42.32%	243,116,641
2001	11,351,679	4.41%		137,054,476	53.22%	2,774,668	1.08%	106,326,514	41.29%	257,507,337
2002	13,439,878	5.01%		139,949,628	52.14%	1,814,806	0.67%	113,215,664	42.18%	268,419,976

(1) Does not include proceeds from capital lease or line of credit for acquisition of equipment.

(2) Impact Funds (Public Law 874) for 1993 through 2002 are as follows:

1993	\$ 1,713,106	1998	\$ 1,352,181
1994	1,519,705	1999	1,367,896
1995	1,308,538	2000	1,495,156
1996	1,315,262	2001	2,623,561
1997	828,956	2002	2,867,188

(3) Transfers or intergovernmental revenue from City of Chesapeake, General Fund.

(4) Source: Chesapeake Public Schools Comprehensive Annual Financial Report.
Public Schools - component unit, includes only the Public Schools Operating Fund. Excluded are Public Schools Food Service, Textbook, and Capital Projects Funds of the component unit.

CITY OF CHESAPEAKE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

Fiscal Year	Total Tax Levy	Current Tax Collections (2) (3)	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes (1)	Ratio of Delinquent Taxes to Total Tax Levy
1993	\$ 114,005,886	\$ 109,130,217	95.72%	\$ 7,670,291	\$ 116,800,508	102.45%	\$ 8,553,755	7.50%
1994	121,740,298	115,477,995	94.86%	7,902,905	123,380,900	101.35%	9,042,245	7.43%
1995	130,279,176	122,169,137	93.77%	10,093,243	132,262,380	101.52%	9,834,938	7.55%
1996	138,631,719	129,921,315	93.72%	10,836,002	140,757,317	101.53%	12,281,518	8.86%
1997	146,576,516	137,637,297	93.90%	12,271,155	149,908,452	102.27%	12,179,130	8.31%
1998	154,544,528	144,543,204	93.53%	12,165,237	156,708,441	101.40%	12,528,904	8.11%
1999	164,000,307	153,081,861	93.34%	13,659,994	166,741,855	101.67%	10,599,446	6.46%
2000	176,589,725	163,705,418	92.70%	15,244,557	178,949,975	101.34%	10,609,066	6.01%
2001	186,048,152	173,088,321	93.03%	15,504,949	188,593,270	101.37%	8,559,955	4.60%
2002	196,280,930	182,439,282 (4)	92.95%	16,894,630	199,333,912	101.56%	8,384,422	4.27%

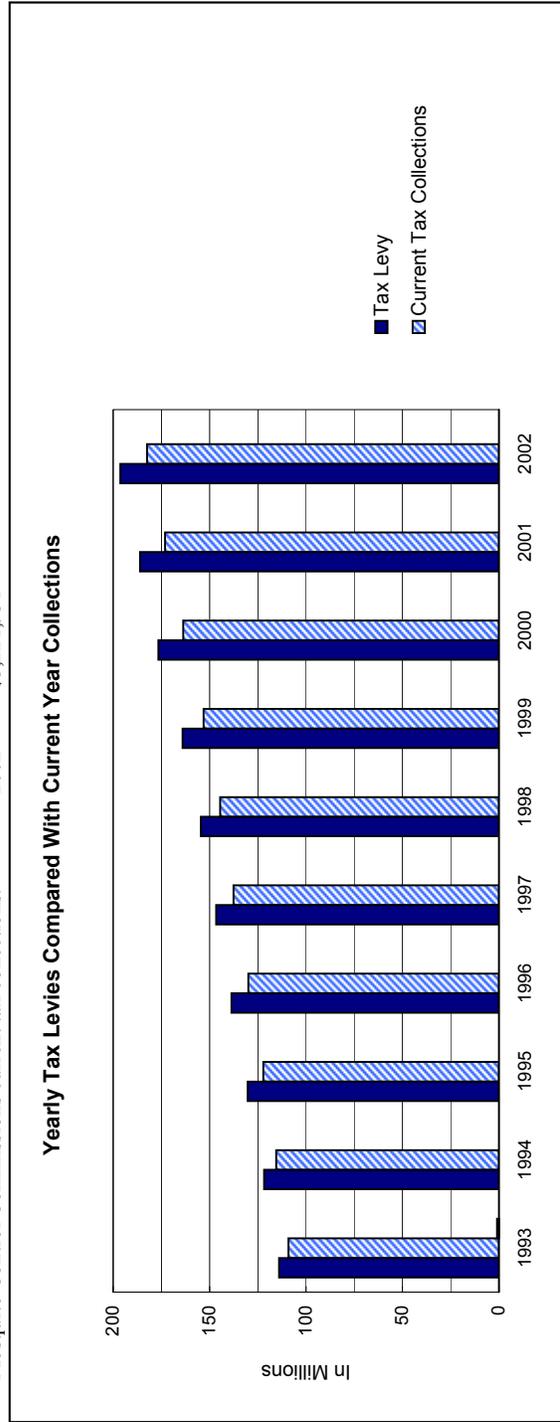
(1) Tax receivables as of June 30 less allowance for uncollectible amounts.

(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) Includes tax collections recorded by Mosquito Control Commissions - component unit.

(4) Effective 2002, Mosquito Control Commissions tax collections are not separately presented in the financial statements.

Mosquito Control Commissions current tax collections: 2002 \$3,221,931



CITY OF CHESAPEAKE, VIRGINIA

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

Table 7

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1993	\$ 6,952,937,384	6,952,937,384	593,840,530	593,840,530	7,546,777,914	7,546,777,914	100.00%	100.00%
1994	7,231,572,452	7,231,572,452	692,163,467	692,163,467	7,923,735,919	7,923,735,919	100.00%	100.00%
1995	7,623,228,788	7,623,228,788	804,926,616	804,926,616	8,428,155,404	8,428,155,404	100.00%	100.00%
1996	8,127,898,685	8,127,898,685	884,203,228	884,203,228	9,012,101,913	9,012,101,913	100.00%	100.00%
1997	8,563,808,409	8,563,808,409	943,699,805	943,699,805	9,507,508,214	9,507,508,214	100.00%	100.00%
1998	9,040,735,075	9,040,735,075	993,216,197	993,216,197	10,033,951,272	10,033,951,272	100.00%	100.00%
1999	9,457,465,403	9,457,465,403	1,102,588,406	1,102,588,406	10,560,053,809	10,560,053,809	100.00%	100.00%
2000	10,013,133,847	10,013,133,847	1,238,515,865	1,238,515,865	11,251,649,712	11,251,649,712	100.00%	100.00%
2001	10,544,713,562	10,544,713,562	1,301,853,895	1,301,853,895	11,846,567,457	11,846,567,457	100.00%	100.00%
2002	11,262,033,169	11,262,033,169	1,327,827,157	1,327,827,157	12,589,860,326	12,589,860,326	100.00%	100.00%

CITY OF CHESAPEAKE, VIRGINIA

Property Tax Rates
Last Ten Fiscal Years - Unaudited

Table 8

Fiscal Year	REAL PROPERTY (1) (2)	PERSONAL PROPERTY (3) (4)														
		Motor Vehicles	Motor Vehicles Disabled Vets (5)	Motor Carriers (6)	Recreation Vehicles (6)	Handicap Vehicle (7)	Boats	Business	Mobile Homes (9)	Machinery & Tools	Farm	Airplanes				
1993	\$ 1.285	4.00									1.50	4.00	1.285	3.12	4.00	4.00
1994	1.285	4.00									1.50	4.00	1.285	3.12	4.00	4.00
1995	1.270	4.00									1.50	4.00	1.270	3.12	4.00	4.00
1996	1.260	4.00		3.12	1.50						1.50	4.00	1.260	3.12	4.00	4.00
1997	1.260	4.00	1.50	3.12	1.50						1.50	4.00	1.260	3.12	4.00	4.00
1998	1.260	4.00	1.50	3.12	1.50	1.50					1.50	4.00	1.260	3.12	4.00	0.50
1999 (8)	1.260	4.00	0.01	3.12	1.50	0.01					1.50	4.00	1.260	3.12	4.00	0.50
2000	1.260	4.00	0.01	3.12	1.50	0.01					1.50	4.00	1.260	3.12	4.00	0.50
2001	1.260	4.00	0.01	3.12	1.50	0.01					1.50	4.00	1.260	3.12	4.00	0.50
2002	1.260	4.00	0.01	3.12	1.50	0.01					1.50	4.00	1.260	3.12	4.00	0.50

* Rate per hundred

- (1) Assessment for real property is 100 percent of fair market value.
- (2) An additional real estate tax levy of \$.02 per \$100 of assessed value, reduced from \$.025 per \$100 of assessed value beginning fiscal year 1996, is imposed for mosquito control districts.
- (3) An additional personal property tax levy of \$.08 per \$100 of assessed value is imposed for mosquito control districts.
- (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 & tools are assessed at 20% of their original cost. Farm equipment is assessed at 12% of its original cost.
- (5) New category effective January 1997.
- (6) New category effective January 1996.
- (7) New category effective January 1998.
- (8) Tax rate on Disabled Veteran Motor Vehicle and Handicap Vehicle changed effective on January 1, 1999.
- (9) Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies
Last Ten Fiscal Years - Unaudited
Tax Levies

Fiscal Year	REAL PROPERTY (1)	PERSONAL PROPERTY (1)										
		Motor Vehicles	Motor Carriers (2)	Recreation Vehicles (2)	Disabled Vets (3)	Handicap Vehicle (4)	Boats	Business	Mobile Homes	Machinery & Tools	Farm	Airplanes (5)
1993	\$ 82,735,283	16,923,586	-	-	-	-	160,240	3,822,149	149,784	1,976,894	81,789	20,206
1994	86,424,782	20,428,062	-	-	-	177,082	3,916,413	3,916,413	158,153	2,224,993	79,265	25,997
1995	90,213,353	24,484,701	-	-	-	216,103	4,329,429	4,329,429	155,823	2,270,601	75,249	26,028
1996	95,371,392	27,026,069	99,382	55,133	-	206,210	4,640,677	4,640,677	158,384	2,303,029	78,185	23,176
1997	100,945,109	28,531,639	92,784	117,867	-	214,394	5,260,656	5,260,656	153,509	2,458,195	101,244	27,868
1998	106,940,502	29,880,970	134,486	130,808	472	224,513	5,548,765	5,548,765	160,704	2,611,746	106,957	6,512
1999	112,035,175	32,892,975	142,579	158,765	-	248,641	6,184,227	6,184,227	165,371	3,037,398	104,216	16,650
2000	119,019,794	37,612,479	167,619	186,054	-	285,502	6,828,776	6,828,776	161,894	3,061,695	102,477	25,120
2001	125,644,567	39,419,716	202,508	197,218	-	300,746	7,513,072	7,513,072	166,544	3,175,035	98,063	17,334
2002	134,698,510	40,945,175	252,341	227,750	-	315,873	7,756,524	7,756,524	159,110	2,371,407	100,679	19,458

(1) Public service corporation property is not included.

(2) New category effective January 1, 1996.

(3) New category effective January 1, 1997.

In January of 1999 the tax rate was reduced to \$0.01. The new tax rate essentially eliminated the tax.

(4) New category effective January 1, 1998.

In January of 1999 the tax rate was reduced to \$0.01. The new tax rate essentially eliminated the tax.

(5) Beginning January 1, 1998, tax rate was reduced from \$4.00 per hundred to \$0.50 per hundred.

CITY OF CHESAPEAKE, VIRGINIA

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Monies Available	Debt Payable from Enterprise Revenues (4)	Debt Payable by Other Locality	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1993	168,764	\$ 7,546,777,914	\$ 170,054,085	\$ 15,311,177	\$ 17,215,000	-	\$ 137,527,908	1.82%	\$ 814.91
1994	175,501	7,923,735,919	209,556,686	19,886,467	16,553,472	-	173,116,747	2.18%	986.41
1995	182,951	8,428,155,404	353,151,047	21,412,758	15,157,707	-	316,580,582	3.76%	1,730.41
1996	187,204	9,012,101,913	392,440,804	29,358,079	14,048,822	-	349,033,903	3.87%	1,864.46
1997	190,469	9,507,508,214	408,596,834	27,513,439	13,419,982	-	367,663,413	3.87%	1,930.31
1998	195,149	10,033,951,272	395,277,936	26,493,976	12,778,742	-	356,005,218	3.55%	1,824.27
1999	198,747	10,560,053,809	409,718,800	19,640,924	11,791,197	-	378,286,679	3.58%	1,903.36
2000	199,184	11,251,649,712	418,079,832	22,791,753	10,811,624	-	384,476,455	3.42%	1,930.26
2001	201,636	11,846,567,457	402,919,672	27,149,186	9,282,922	-	366,487,564	3.09%	1,817.57
2002	203,738	12,589,860,326	388,789,823	21,793,882	7,776,363	-	359,219,578	2.85%	1,763.14

(1) Population figures acquired from City of Chesapeake Planning Board estimates.

(2) From Table 7.

(3) Amount does not include revenue and double barrel bonds or long-term payables.

(4) These amounts include general obligation bonds that are being repaid from public utility revenues.

CITY OF CHESAPEAKE, VIRGINIA

Table 11

Computation of Legal Debt Margin
June 30, 2002

Assessed valuation - real estate	\$	11,262,033,169 *
Legal debt limit:		
10% of assessed valuation	\$	1,126,203,317
Amount of debt applicable to legal debt limit:		
Total bonded debt	\$497,719,823	
Add: Long-term payables	2,492,000	
Less: Revenue bonds	(40,280,000)	
Subordinate double barrel bonds	(68,650,000)	
Amount available for repayment	(21,793,882)	369,487,941
Legal debt margin available	\$	756,715,376
Percent of:		
Legal debt margin outstanding	32.8%	
Legal debt margin available	67.2%	
	100.0%	
Summary of assessed valuation:		
Public service real estate	\$	734,252,870
Other City real estate		10,527,780,299
	\$	11,262,033,169

*The General Assembly amended the Code of Virginia relating to real estate tax assessment, Section 58-760 states as follows: "All real estate, except such as is exempted by law. Beginning with assessments effective on January One, Nineteen Hundred Seventy-Seven, all general reassessments or annual assessments in those localities which have annual assessments of real estate, except that referred to in Section 58-512.1, shall be made at one hundred per centum fair market value and the State Corporation Commission shall certify public service corporation property to such county or city on the basis of the assessment ratio as most recently determined and published by the Department of Taxation."

CITY OF CHESAPEAKE, VIRGINIA

Table 12

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

Fiscal Year	Total General Governmental Expenditures (1) (3)	Bonded Debt Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1993	\$289,188,949	17,754,763	6.14%
1994	316,305,136	19,889,653	6.29%
1995	344,364,159	22,463,097	6.52%
1996	369,604,607	30,735,873	8.32%
1997	400,355,471	33,336,595	8.33%
1998	424,102,152	34,636,758	8.17%
1999	462,654,754	36,034,112	7.79%
2000	482,055,117	34,534,255	7.16%
2001	515,764,180	42,984,842	8.33%
2002	552,004,523	44,428,354	8.05%

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

(2) Expenditures for general obligations bonds, excluding those reported in Enterprise Funds.

(3) Table 1

Table 13

CITY OF CHESAPEAKE, VIRGINIA

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

Fiscal Year	Gross Revenue	Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total (2)	
1993	\$ 24,515,663	11,984,805	12,530,858	1,300,000	1,360,038	2,660,038	4.71
1994	26,917,492	13,895,210	13,022,282	1,061,528	1,976,545	3,038,073	4.29
1995	25,649,447	15,575,169	10,074,278	1,795,765	2,013,950	3,809,715	2.64
1996	27,241,141	15,737,597	11,503,544	1,515,495	3,929,048	5,444,543	2.11
1997	27,956,441	16,174,539	11,781,902	1,028,841	4,832,259	5,861,100	2.01
1998	28,203,183	16,960,139	11,243,044	1,041,240	4,775,072	5,816,312	1.93
1999	30,202,591	18,585,124	11,617,467	2,487,545	4,667,984	7,155,529	1.62
2000	28,703,068	20,353,662	8,349,406	2,079,573	4,520,782	6,600,355	1.26
2001	28,943,690	21,334,342	7,609,348	2,728,702	4,379,421	7,108,123	1.07
2002	34,631,414	23,156,628	11,474,786	2,776,559	4,127,684	6,904,243	1.66

(1) Exclusive of depreciation and bond interest.

(2) Requirements do not include amounts relating to public utility revenue bonds and parity double barrel bonds.

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
1993	\$ 204,200,616	24,769,830	12.13%
1994	227,256,252	25,948,319	11.42%
1995	242,065,833	29,068,974	12.01%
1996	255,279,291	38,177,020	14.96%
1997	276,534,410	42,145,638	15.24%
1998	286,971,762	42,965,993	14.97%
1999	295,167,583	44,989,222	15.24%
2000	310,600,678	43,064,772	13.86%
2001	321,649,673	53,077,434	16.50%
2002	335,931,888	55,228,050	16.44%

(1) Includes local revenues of the following funds: General*, Special Revenue*, Permanent*, Debt Service*, Public Schools - component unit*, Mosquito Control Commissions - component unit*, Public Utilities Enterprise Fund and Chesapeake Expressway Fund. Prior to 2002 Permanent Funds were not included. Excluded are Capital Projects - primary government, Public Schools Capital Projects - component unit, and transfers/ expenditures/revenues between City and Public Schools. (* included on Table 3)

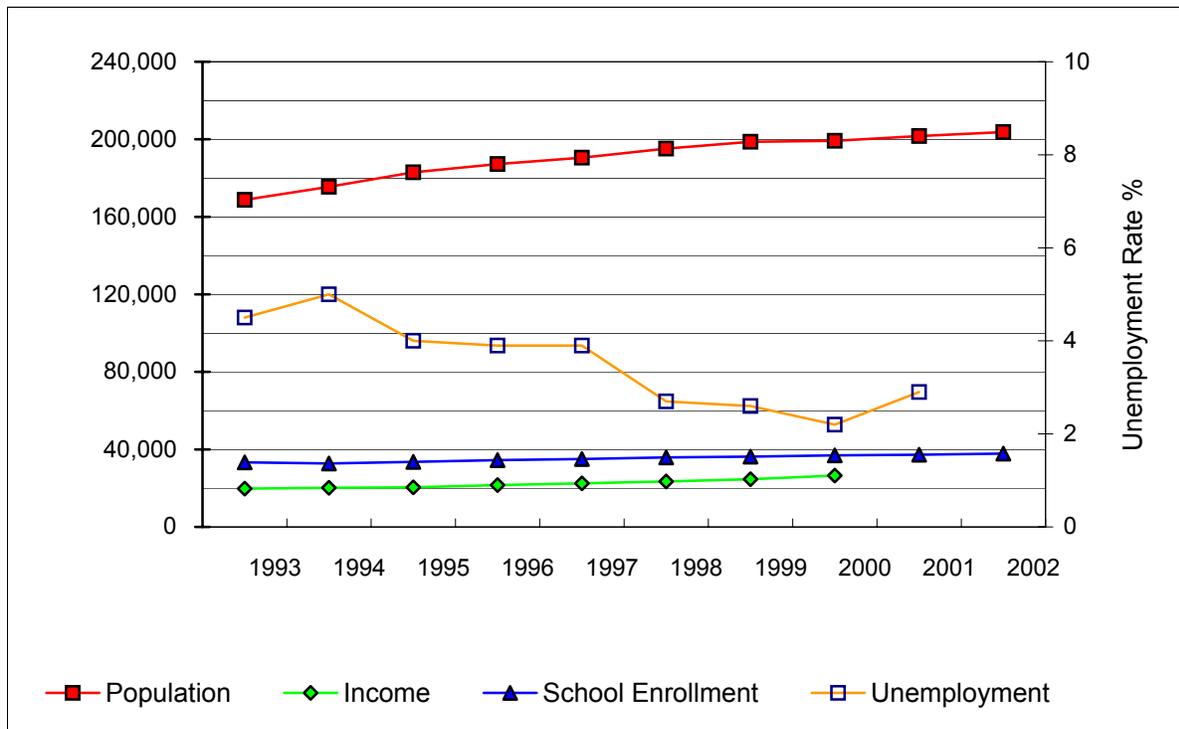
(2) Includes bonded debt expenditures payable from public utility and toll road revenues.

Demographic Statistics

Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (4)	Per Capita Income (1)	School Enrollment (2)	Unemployment Rate (3)
1993	168,764	\$ 19,805	33,319	4.5%
1994	175,501	20,173	32,750	5.0%
1995	182,951	20,425	33,600	4.0%
1996	187,204	21,585	34,468	3.9%
1997	190,469	22,505	35,070	3.9%
1998	195,149	23,458	35,877	2.7%
1999	198,747	24,646	36,242	2.6%
2000	199,184	26,529	36,920	2.2%
2001	201,636	n/a	37,264	2.9%
2002	203,738	n/a	37,878	n/a

- (1) Planning Department (Hampton Roads Planning District Commission and Bureau of Economic Analysis). Information currently unavailable for 2001 and 2002.
- (2) Per Public Schools Administration.
- (3) Virginia Employment Commission (Reflects an average unemployment rate for the calendar year). Information currently unavailable for 2002.
- (4) Chesapeake Planning Board estimate.



CITY OF CHESAPEAKE, VIRGINIA

Property Value, Construction and Bank Deposits
Last Ten Fiscal Years - Unaudited

Table 16

Year	Commercial Construction (1)		Residential Construction (1)		Total Construction		Property Value * (1)			
	No. of Units	Value	No. of Units	Value	No. of Units	Value	Commercial	Residential	Bank Deposits (2)	Non-Taxable
1993	89	\$ 25,336,200	3,716	211,252,000	3,805	236,588,200	1,682,932,587	4,652,430,373	903,295,000	687,575,200
1994	101	33,809,900	3,973	225,066,600	4,074	258,876,500	1,881,166,974	4,719,447,289	907,269,000	728,105,300
1995	124	42,896,200	3,510	199,236,200	3,634	242,132,400	1,898,680,614	5,071,203,186	986,587,000	820,871,500
1996	141	80,036,800	3,231	156,806,600	3,372	236,843,400	2,021,694,560	5,432,228,313	1,028,474,000	846,002,500
1997	160	73,594,900	3,502	187,780,600	3,662	261,375,500	2,094,270,702	5,795,294,578	1,017,330,000	877,499,100
1998	183	79,374,500	3,218	154,834,400	3,401	234,208,900	2,172,967,300	6,185,781,053	1,072,924,000	856,091,600
1999	144	103,907,500	3,359	192,079,100	3,503	295,986,600	2,341,175,149	6,415,262,026	1,066,067,000	1,042,747,000
2000	152	92,214,600	3,134	189,364,000	3,286	281,578,600	2,531,900,272	6,770,471,162	1,151,442,000	1,078,568,300
2001	129	88,141,800	2,864	163,181,700	2,993	251,323,500	2,661,931,401	7,158,197,517	1,225,766,000	1,117,784,200
2002	139	96,946,300	2,936	168,226,900	3,075	265,173,200	2,831,790,373	7,695,989,926	See (2)	1,128,664,100

* Estimated Actual Value

(1) Source: Real Estate Assessor

(2) FDIC - Information available through June 30, 2001.

CITY OF CHESAPEAKE, VIRGINIA

Table 17

Principal Taxpayers
June 30, 2002 - Unaudited

Name of Business	Type of Business	Real Property Assessed Value	% of Total Assessed Value (1)
Dominion Virginia Power	Electric Utility	\$447,062,401	3.97%
Greenbrier Mall Partners LP	Shopping Mall	98,676,300	0.88%
Chesapeake Mall LLC	Shopping Mall	79,296,100	0.70%
CP Venture Two LLC	Shopping Center	56,903,600	0.50%
Woodlake Co Limited Partnership	Apartment Complex	32,138,000	0.29%
Crossways Associates LLC	Office Bldgs. & Shopping Center	29,515,500	0.26%
Wal-Mart Stores, Inc.	Retail and Vacant Land	26,888,000	0.24%
Mitsubishi Kasei America, Inc.	Manufacturing	25,810,000	0.23%
Dollar Tree Distribution, Inc.	Distribution Center	24,847,700	0.22%
Chesapeake Center Associates	Shopping Center	18,391,500	0.16%
	TOTAL	\$839,529,101	7.45%

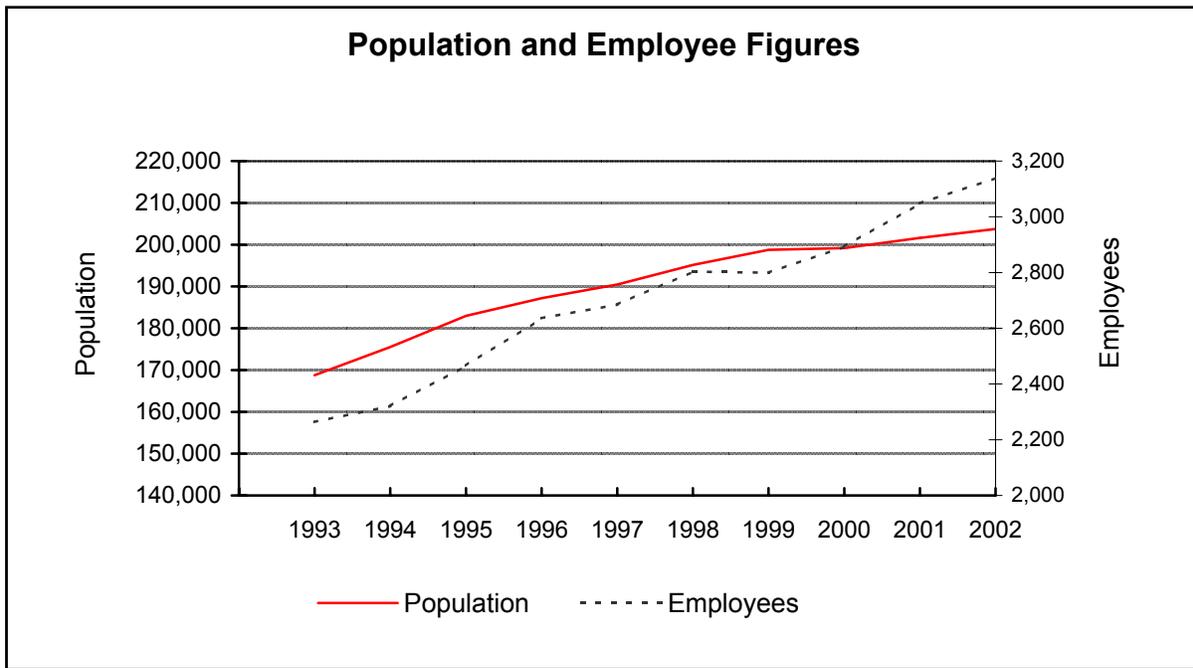
(1) Total assessed valuation of real estate for FY 2002 was \$11,262,033,169 which includes Public Service Corporation property.

Source: Real Estate Assessor

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (1)	Total Employees	Employees Per 1,000 Population
1993	168,764	2,264	13.4
1994	175,501	2,321	13.2
1995	182,951	2,466	13.5
1996	187,204	2,636	14.1
1997	190,469	2,685	14.1
1998	195,149	2,803	14.4
1999	198,747	2,799	14.1
2000	199,184	2,893	14.5
2001	201,636	3,048	15.1
2002	203,738	3,139	15.4

Sources: (1) Planning Department (population figures as of January 1st);



CITY OF CHESAPEAKE, VIRGINIA

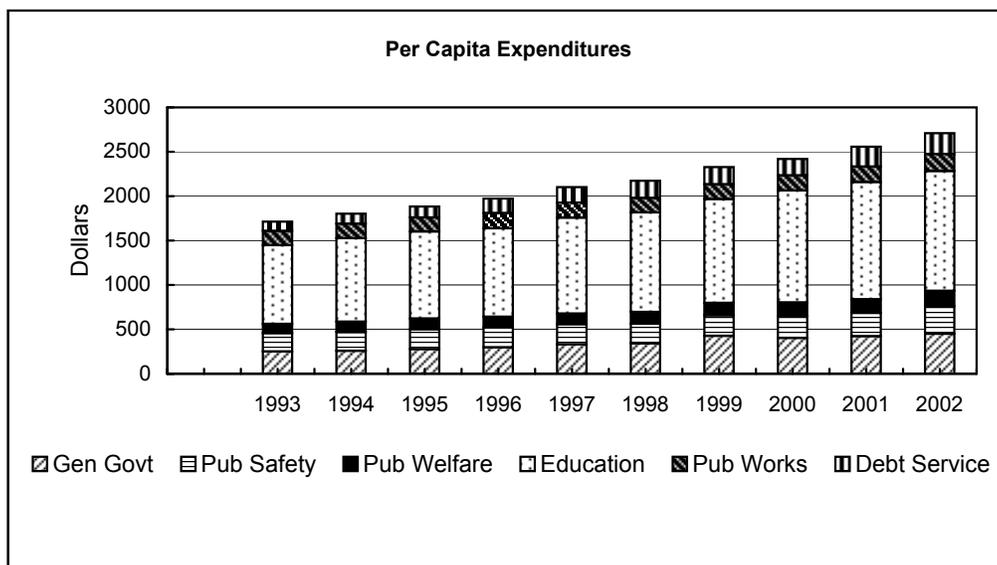
Table 19

Governmental Expenditures Per Capita (1), (2)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Population	General Gov't	Public Safety	Public Welfare	Education	Public Works	Debt Service	Total
1993	168,764	\$ 251	207	104	887	160	105	1,714
1994	175,501	259	210	118	941	162	113	1,802
1995	182,951	278	223	122	980	157	123	1,882
1996	187,204	298	224	120	996	172	164	1,974
1997	190,469	331	226	120	1,081	169	175	2,102
1998	195,149	342	221	132	1,122	164	192	2,173
1999	198,747	427	231	140	1,170	167	193	2,328
2000	199,184	404	247	151	1,263	170	185	2,420
2001	201,636	423	261	155	1,320	174	225	2,558
2002	203,738	449	313	171	1,350	193	233	2,709

(1) Includes the following funds: General, Special Revenue, Debt Service, Permanent, Mosquito Control Com component unit, and Public Schools - component unit. Excluded are Capital Projects - primary governmen Projects - component unit, and expenditures/transfers between City and Public Schools.

(2) Source - Table 1



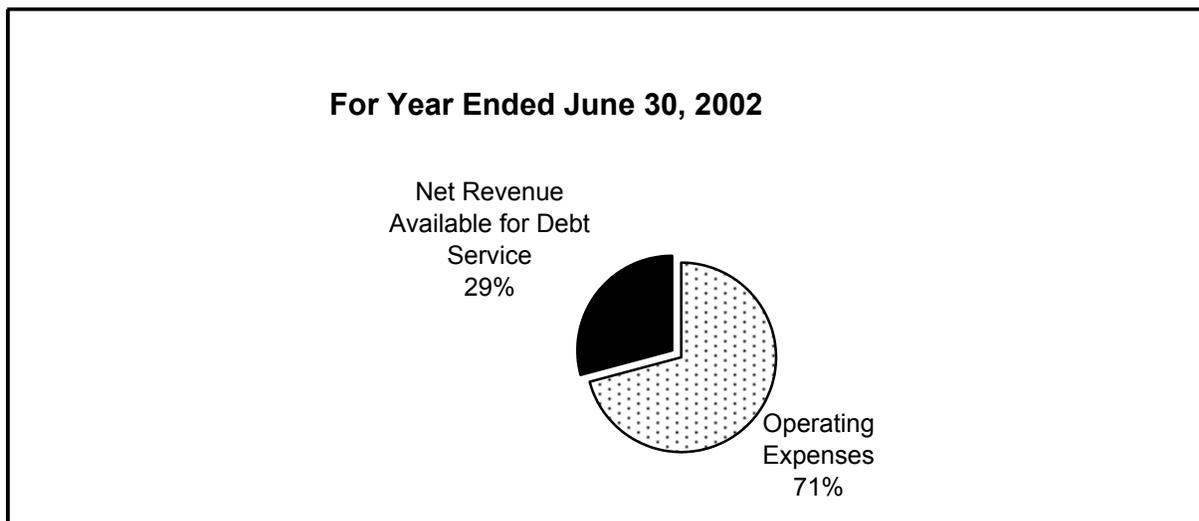
CITY OF CHESAPEAKE, VIRGINIA

Table 20

Revenue and Existing Double Barrel Parity Bond Coverage
 Water and Sewer Systems
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS (3)			Coverage
				Principal	Interest	Total (4)	
1993	\$ 21,810,783	11,984,805	9,825,978	2,015,000	2,280,029	4,295,029	2.29
1994	24,084,158	13,895,210	10,188,948	1,540,000	1,420,593	2,960,593	3.44
1995	23,987,445	15,575,169	8,412,276	1,350,000	1,386,162	2,736,162	3.07
1996	25,090,438	15,737,597	9,352,841	576,482	1,358,503	1,934,985	4.83
1997	25,926,744	16,174,539	9,752,205	719,865	2,217,694	2,937,559	3.32
1998	26,184,412	16,960,139	9,224,273	1,223,654	1,283,653	2,507,307	3.68
1999	27,783,516	18,585,124	9,198,392	570,000	1,226,619	1,796,619	5.12
2000	26,836,455	20,353,662	6,482,793	600,000	1,192,698	1,792,698	3.62
2001	27,415,623	21,334,342	6,081,281	635,000	1,162,161	1,797,161	3.38
2002	32,748,966	23,156,628	9,592,338	665,000	1,127,270	1,792,270	5.35

- (1) Total revenues exclusive of interest and less fifty percent (50%) of connection fees.
- (2) Total operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue and existing parity double barrel bonds only. It does not include the general obligation bonds that are not parity double barrel or other subordinate debt.
- (4) In 1995 all double barrel parity bonds were fully redeemed.



CITY OF CHESAPEAKE, VIRGINIA*Table 21*

Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2002 - Unaudited

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$381,013,460 (1)	100.00%	\$381,013,460
Overlapping:			
None	-		-
TOTAL	\$381,013,460		\$381,013,460

(1) Excluding general obligation bonds reported in the enterprise funds.

CITY OF CHESAPEAKE, VIRGINIA

Table 22

Miscellaneous Statistics
June 30, 2002

Date of Incorporation	January 1963
Form of Government	Council-Manager
Number of registered voters	116,232
Number of Employees (Full Time)	3,139
Area in square miles	353
Miles of streets	2,150
Number of street lights	22,423
Culture and Recreation:	
Community centers	7
Specialized centers	4
Parks and play areas	63
Park acreage	1,992
Athletic fields and tennis courts	211
Public Safety:	
Number of Fire Stations	15
Number of Fire Personnel and Officers	393
Number of calls answered for Fire Protection Services	22,875
Number of Police Stations	5
Number of Police Personnel and Officers	493
Number of Patrol Units	301
Number of calls for Police Service	155,059
Part I Law Violations	9,239
Number of Adult Criminal Charges	15,227
Number of Physical & Traffic arrests	58,252
Number of DUI arrests	728
Water & Sewer:	
Miles of sanitary sewers	950
Sewage pumping stations	243
Number of service connections	54,297
Miles of water mains	749
Number of service connections	56,176
Number of fire hydrants	4,268
Daily average consumption in gallons (in mgd)	15
Daily average water provided by Chesapeake (in mgd)	10
Education:	
Number of elementary schools	28
Number of elementary school instructors	1,535
Number of secondary schools	16
Number of secondary school instructors	1,024
Number of educational centers	3

COMPLIANCE SECTION



CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1

Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Revenue/ Contributions to Capital	Expenditures
Department of Agriculture:			
Direct payments:			
Summer Food Service Program for Children	10.559	\$ 85,260	85,260
Pass-through payments:			
Department of Social Services:			
Food Stamp Program	10.551	4,970,689	6,132,755
State Administrative Matching Grants for Food Stamp Program	10.561	1,330,414	1,330,414
Department of Education:			
School Breakfast Program	10.553	738,106	738,106
National School Lunch Program	10.555	2,863,620	2,863,620
Schools and Roads - Grants to States	10.665	30,816	30,816
Department of Agriculture and Consumer Services:			
Food Distribution - commodities value - Schools' Food Services	10.555	477,161	498,008
Food Distribution - commodities value - Detention Home	10.555	8,520	7,259
Department of Corrections:			
National School Breakfast and Lunch Programs	10.553	146,954	153,344
Department of Forestry:			
Cooperative Forestry Assistance	10.664	11,000	9,280
		10,662,540	11,848,862
Department of Housing and Urban Development:			
Direct payments:			
Community Development Block Grant Program:			
Program year 1998	14.218	-	7,658
Program year 1999	14.218	258,975	110,434
Program year 2000	14.218	994,276	64,061
Program year 2001	14.218	-	1,181,037
Community Development Block Grant State Program:			
1998 HUD Recovery Initiative Program	14.228	311,525	296,041
HOME Investment Partnerships Program	14.239	82,634	714,418
		1,647,410	2,373,649
Department of Health and Human Services:			
Pass-through payments:			
Department of Mental Health, Mental Retardation and Substance Abuse:			
Block Grants for Community Mental Health Services	93.958	138,470	138,470
Block Grants for Prevention and Treatment of Substance Abuse	93.959	854,023	838,222
Department for the Aging:			
Special Programs for the Aging - Title III, Parts A and B - Grants for State and Community Programs on Aging	93.042	3,671	3,867
Department of Social Services:			
Promoting Safe and Stable Families	93.556	102,740	103,867
Temporary Assistance for Needy Families	93.558	1,053,921	1,053,921
Child Support Enforcement	93.563	446	446
Refugee and Entrant Assistance - State Administered Program	93.566	1,618	1,618
Low Income Home Energy Assistance	93.568	45,033	45,033
Payments to States for Child Care Assistance	93.575	956,024	935,417
Child Care & Development Fund	93.596	1,190,580	1,190,580
Foster Care-Title IV-E	93.658	2,186,045	1,241,641
Adoption Assistance	93.659	223,755	219,825
Social Services Block Grant	93.667	950,458	950,458
Independent Living	93.674	15,202	15,202
Medical Assistance Program (Medical: Title XIX)	93.778	585,827	585,827
Statewide Fraud Program	N/A	42,831	42,831
		8,350,644	7,367,225

(Continued)

Schedule of Expenditures of Federal Awards, Continued
Year ended June 30, 2002

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Revenue/ Contributions to Capital	Expenditures
Department of the Interior:			
Direct payments:			
U.S. Fish and Wildlife Service - Refuge Revenue Sharing Act	N/A	\$ 64,617	64,617
U.S. Fish and Wildlife Service - Court Services Grant	15.614	11,417	11,418
		76,034	76,035
Department of Labor:			
Pass-through payments - Opportunity Incorporated of Hampton Roads -			
WIA Youth Activities	17.259	164,440	139,703
Welfare to Work	17.253	76,839	76,839
		241,279	216,542
Department of Justice:			
Direct payments:			
Drug Control and System Improvement -			
Forfeited Asset Sharing Program - Drug Enforcement	16.579	68,684	269,696
Local Law Enforcement Block Grant	16.592	207,348	339,495
Bulletproof Vest Partnership Program	16.607	23,250	23,350
Office of Community Oriented Policing Services - Public Safety - Partnership and Community Policing Grants	16.710	873,453	1,117,761
Pass-through payments:			
Bureau of Justice Assistance:			
Victim Witness Assistance Grant Program	16.575	231,625	232,542
Drug Control and System Improvement	16.579	30,300	30,295
Violence Against Women Formula Grant	16.588	58,563	58,192
		1,493,223	2,071,331
U.S. Department of Transportation:			
Pass-through payments:			
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants			
	20.600	14,705	12,934
Virginia Department of Transportation:			
Highway Planning and Construction - Route 168	20.205	1,024,161	1,024,161
Virginia Department of Emergency Management:			
Hazardous Materials Emergency Preparedness	20.703	33,626	14,776
		1,072,492	1,051,871
Federal Emergency Management Agency:			
Pass-through payments:			
Department of Emergency Services:			
Project Impact	83.551	108,788	104,449
Assistance to Firefighters	83.554	-	76,973
Department of Fire Programs:			
State Fire Training Systems Grants	83.553	10,000	10,000
		118,788	191,422
Department of Education:			
Direct payments:			
Impact Aid	84.041	2,867,188	2,867,188
Pass-through payments:			
Adult Education - State Grant Program	84.002	181,483	181,483

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-1, Continued

Schedule of Expenditures of Federal Awards, Continued
 Year ended June 30, 2002

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number		Revenue/ Contributions to Capital	Expenditures
Department of Education, continued:				
Pass-through payments, continued:				
Education Consolidation and Improvement Act of 1981:				
Title I - Grants to local educational agencies	84.010	\$	3,177,662	3,171,951
ESEA Chapter II	84.298		303,524	306,814
Special Education - Grants to states	84.027		4,571,588	4,570,373
Special Education - Preschool grants	84.173		199,582	199,583
Eisenhower Mathematics and Science Education	84.164		171,925	156,016
Department of Mental Health, Mental Retardation and Substance Abuse:				
Special Education - Grants for infants and families with disabilities	84.181		177,370	270,189
Vocational Education:				
Basic grants to states	84.048		587,639	585,167
Consumer and homemaking	84.049		19,051	19,051
Special Projects:				
Safe and Drug-Free Schools	84.186		164,064	164,064
Goals 2000	84.276		188,830	165,215
Advanced Placement Incentive Program	84.330		245	245
Comprehensive School Reform Demonstration	84.332		100,000	78,220
Class Size Reduction	84.340		817,743	817,743
Tech Literacy Challenge	84.318		58,538	64,555
			13,586,432	13,617,857
			\$	37,248,842
				38,814,794

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

(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:

Primary government:	
General Fund	\$ 151,821
Special Revenue Funds:	
Virginia Public Assistance Fund	7,651,148
Community Development Fund	1,335,885
Grants Fund	3,426,511
Community Services Fund	1,169,863
Enterprise Funds:	
Chesapeake Expressway Fund	1,024,161
Total primary government	14,759,389
Component Unit Public Schools:	
School Operating Fund	13,439,878
School Food Services Fund	4,078,887
Total component unit Public Schools	17,518,765
Total federal expenditures from intergovernmental revenue	32,278,154
Non-cash expenditures - value of food stamps disbursed	6,132,755
Federal revenue reserved for encumbrances in fund balance	(2,500,829)
Federal expenditures from fund balance	2,904,714
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 38,814,794

(Continued)

Notes to Schedule of Expenditures of Federal Awards, continued
Year ended June 30, 2002

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority is the subrecipient for all federal awards received from the Department of Housing and Urban Development.

The Planning Council is the subrecipient for approximately \$1,120,756 related to the Child Care Development Fund received from the Department of Social Services.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

(1) Summary of Auditor's Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **none noted**
Material weaknesses: **no**
- (c) Noncompliance which is material to the basic financial statements: **no**
- (d) Reportable conditions in internal control over major programs: **none noted**
Material weaknesses: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **no**
- (g) Major programs:
 - Food Stamp Cluster: CFDA 10.551 and 10.561**
 - Community Development Block Grant: CFDA 14.218**
 - Title I Grant to Local Education Agency: CFDA 84.010**
 - Public Safety Partnership and Community Policing Grant: CFDA 16.710**
 - Foster Care (Title IV-E): CFDA 93.658**
- (h) Dollar threshold used to determine Type A programs: **\$1,164,444**
- (i) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards: none noted.**(3) Findings Required to be Reported under Section 501(a) of OMB Circular A-133.**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

United States Department of Education

Title I Grants to Local Education Agencies; 84.010

Finding 02-1: Eligibility

In accordance with Title I, Section 1115 of the Elementary and Secondary Education Act (ESEA), from the pool of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services. During our testwork, we noted that 12 students out of a sample of 25 were provided Title I services before more needier students were served. We could not determine the questioned costs, if any, associated with this finding. We recommend that Chesapeake Public Schools more closely monitor the ranking of students for the Title I program to ensure that those students with the greatest need for services are served first.

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

Virginia Department of Social Services

Section 3-17 – Child Welfare Trust Accounts

State Finding 02-1: Unexpended Child Welfare Funds

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3, Section 17, unexpended special welfare funds and dedicated funds are returned to individuals who leave the agency's custody, refunded to the applicable funding source or escheated to the state. During our testwork, we noted several children who had funds remaining in their child welfare account; however, it appeared that these children had left the City's custody. We noted that the City sent correspondence to funding sources in an attempt to remit unexpended funds; however, no response was received from the funding sources and the funds remained in the children's accounts. The City should either return these amounts to the children, the applicable funding source or return them to the State as escheated property.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

State Finding 02-2: Interest Bearing Accounts

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3, Section 17, local treasurers should only deposit child welfare funds in bank accounts that are interest bearing. The City has a policy of opening interest bearing savings accounts for special welfare children once their funds reach \$500. During our testwork, we noted that 1 of the 54 child welfare accounts had balances over \$500 in the child welfare non-interest bearing bank account. We could not determine the questioned costs, if any, associated with this finding. The City should develop procedures to more closely monitor child welfare account and ensure that interest-bearing accounts are opened once a child's account equals or is in excess of \$500.

Virginia Department of Transportation**Urban Street Maintenance Program****State Finding 02-3: Reconciliation of U-3 Reports to the General Ledger**

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3, Section 15, local governments receiving street maintenance funds must submit an annual U-3 report to the Virginia Department of Transportation (VDOT) accounting for payments received and related expenditures. Payments and expenditures claimed on the annual report must reconcile to the local government's accounting system and must be supported by detailed documentation. We noted that the reconciliation for the year ended June 30, 2002 indicated that expenditures in the general ledger were \$5,488,531 more than those reported on the annual U-3 report. The difference is attributable to differences in the bases upon which each report is prepared. Currently, the City reconciles the total reported U-3 expenditures to that reported on the general ledger on a quarterly basis. The City is aware of these differences and feels that further analysis would not prove to be cost beneficial. As the general ledger expenditure amount exceeds the total amount of street payments received from VDOT for the year, there are no questioned costs. We recommend that the City develop procedures to reconcile the expenditures appearing on the general ledger and the U-3 report and the City should also ensure that any differences between the general ledger and the U-3 report are resolved in a timely manner.

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2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

The Honorable Members of City Council
City of Chesapeake, Virginia

We have audited the financial statements of the City of Chesapeake (the City) as of and for the year ended June 30, 2002, and have issued our report dated November 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority or the Chesapeake Port Authority, which represent 40 percent and 2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority and the Chesapeake Port Authority, is based on the reports of the other auditors.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being





audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City in a separate letter dated November 6, 2002.

This report is intended solely for the information and use of the City Council, management and 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.

KPMG LLP

November 6, 2002



2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance

The Honorable Members of 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 are applicable to each of its major federal programs for the year ended June 30, 2002. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 02-1.





Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and 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.

KPMG LLP

November 6, 2002



2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

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

The Honorable Members of City Council
City of Chesapeake, Virginia

We have audited the financial statements of the City of Chesapeake, Virginia (the City) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 6, 2002.

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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority or the Chesapeake Port Authority, which represent 40 percent and 2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Chesapeake Industrial Development Authority, the Chesapeake Airport Authority and the Chesapeake Port Authority, is based on the reports of the other auditors.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with such provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grants (as specified in *Specifications for Audits of Counties, Cities and Towns*, Chapter Three) for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest Act
- Retirement Systems





- Debt Provisions
- Procurement
- Unclaimed Property Act
- Personal Property Tax Relief Act
- Enhanced 911 Service Taxes

State Agency Requirements

- Education
- Highway Maintenance Funds
- Social Services
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests discovered three instances of noncompliance with those requirements that are required to be reported in accordance with the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as state findings 02-1, 02-2, and 02-3.

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

KPMG LLP

November 6, 2002