

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2003

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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October 20, 2003

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, 2003, 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, 2002.
- 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 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, fund financial statements, and certain discretely presented component unit financial statements. The government-wide statements, which report the City's 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. 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. Combining and individual fund schedules are also presented for major and nonmajor funds, as well as discretely presented component units that do not issue separate audited financial statements.

- 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 Control Commission, 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. 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. For the fiscal year ended 2003, the average unemployment rate was 4.2% in Hampton Roads and 3.4% in Chesapeake, compared to 5.9% in the U.S.

In calendar year 2002, 40 new firms opened facilities in Chesapeake, while 38 existing businesses expanded their operations. Combined, these 78 firms invested over \$100 million in capital investment and added more than 1,452 new employees to their payrolls. From 1992 through 2002, the City saw 208 new firms, 465 expansions, 24,636 new jobs, over \$1.2 billion in capital investment, and 12.7 million of leased square footage.

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 \$2.35 billion in calendar year 2002. The City is also home to over 180 manufacturers, employing over 8,900 people, with products ranging from industrial gears and gaskets, pumps and polystyrene plastic to copier components and contact lenses. The City continues its global appeal, being home to 67 international companies from 16 countries.

The 2002-2003 fiscal year includes the following economic development highlights:

- Visteon Corporation, a leading supplier of integrated automotive systems, announced plans to open a new manufacturing facility in Chesapeake. The plant will manufacture advanced plastic fuel tank systems in support of Ford Motor Company's assembly facility in Norfolk. Visteon has about 79,000 employees and a global delivery system of more than 180 technical, manufacturing, sales, and service facilities located in 25 countries. Visteon expects to create 42 jobs through an estimated \$17 million investment and is expected to absorb approximately 73,000 square feet at Crossways Commerce Center I.
- TDS US Automotive, a logistics services provider for the automotive industry, announced plans to open its newest facility in Chesapeake. The company is expected to create 210 new jobs through an approximate \$2.4 million investment. TDS US will support the recent expansion of the nearby Ford Motor Company assembly facility, and joins other automotive suppliers such as Visteon, Johnson Controls, and Nistem already located in Chesapeake.

- Chesapeake Hardwood, Inc. announced in January 2003 that it was expanding its manufacturing facility. The company manufactures and distributes pre-finished interior paneling and hardwood plywood. This expansion created 50 new jobs and created \$4 million in capital investments.
- Retail center development included Crossways Center, Las Gaviotas Retail Center, WalMart Way Crossing and Gum Road Shoppes. Combined, these retail centers absorbed over 228,902 square feet and created over \$4.5 million in capital investments.
- Hudd Distribution announced in March that it is expanding its distribution center by \$14 million in Chesapeake, which will more than double its work force by creating 260 new jobs. Hudd will buy 25 acres in its existing 26,000 center commerce park and build an 80,000 square-foot addition to its building. Chesapeake provided a \$150,000 performance-based economic development grant. The expanded facility and new jobs will make Hudd Distribution the City's 15th largest employer.
- Bernard C. Harris Publishing Co. Inc. created 125 new jobs by opening a new office at Crossways Boulevard. Additionally, 300 workers were reassigned from other Hampton Roads locations. The company is focused primarily on alumni and membership directories.
- Cambridge College, a private Massachusetts college, opened a branch next door to Greenbrier Mall. The College offers master's classes in business, with an emphasis on e-commerce. It plans to add a master's in education program as well.
- Permits for sewer, road, and other infrastructure construction have been issued by the City for the Edinburgh development, which will include 258 executive-style homes, priced at \$400,000 and up, surrounding a golf course. Once complete, Edinburgh's retail space will be roughly comparable to the combined acreage of Greenbrier Mall, Greenbrier Market Center, and Crossways Shopping Center. All homes are scheduled to be built by January 1, 2007. According to a January 2002 estimate, Edinburgh is expected to generate \$6.4 million a year in sales and real estate tax revenues for the City.

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, 2001 have required enhanced security and anti-terrorism measures for City facilities. Cuts to the state budget were phased in beginning in 2002 and continued during 2003.

These reductions directly impact the City through lower revenues from the Commonwealth to support City programs. Management and City Council continue to work proactively to effectively manage limited resources and increasing costs now and in the next few years.

The City celebrated its 40th anniversary in 2003 with a number of city-wide events. They included:

- A Virginia Symphony performance at Deep Creek High School;
- A Virginia Arts Festival Program at the City Hall courtyard;
- A tree planting for schools at Oakgrove Lake Park – 40 trees were planted to represent the 40 years of the City of Chesapeake;
- A Speaker's Forum with Dr. Larry Sabato from the University of Virginia Center for Politics;
- Interdenominational religious services at three locations;
- Combined memorial service for veterans and City public safety employees; and
- A fire works display at the Chesapeake Jubilee.

During fiscal year 2003 the City achieved the following accomplishments:

- A new \$3 million traffic management system was installed at some of the City's busiest intersections. Using computers, four video cameras, and traffic detectors – which are connected with fiber-optic cables – the system is able to constantly change the timing of traffic lights. Thirty of the City's traffic signals will be connected to the system and eventually more than 140 intersections will be connected to the traffic management center. Traffic engineers will monitor the system in the new Smart Center command room located in City Hall. VDOT will reimburse the City 100% of the cost of the new system.
- The City received an award notification for approximately \$2.16 million in federal funding for affordable housing, mostly spread over South Norfolk. More than \$800,000 will be used for Campostella Square. Other projects that will split these funds are: Homeownership Development Assistance, Rental Rehabilitation, Community Housing Development Organization, General Administration CRHA, Community Resource Network, South Norfolk Health Center, Children's Harbor, and Environmental Code Enforcement.
- A groundbreaking for a new four-lane highway U.S. 17 took place in March 2003. The new four-lane divided highway will run east of the current road for nearly 12 miles from the North Carolina line to Dominion Boulevard in Chesapeake. Completion of the \$41 million project is set for December 2005.
- The City broke ground for the new Indian River Library, which will include a complete renovation of the existing building and an addition of 10,000 square feet. When complete, the library will include an enclosed children's room, quiet study rooms, community meeting room for 100, public internet access, and a young adult room. The branch library will have the capacity to house over 70,000 items.
- The Park Legacy Program was inaugurated, whereby residents can donate land for park purposes in order to preserve the City's natural, scenic, and historical resources.

- The Planning Department received \$120,000 in federal TEA-21 enhancement funds to prepare a site plan for the proposed Battlefield Park, Visitor Center, and Trail along the Albemarle and Chesapeake Canal, to commemorate the Battle of Great Bridge.

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 its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population, and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic, and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 4.5% between 1985 and 1995, 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, adopted and incorporated into the City's Comprehensive Plan by City Council in 1995. Under this policy, level of service tests for schools, roads, and sewer capacity were established and are applied to all rezoning applications in the City. Chesapeake's growth management policies are serving as models for other Virginia localities that are attempting to control growth without stifling development.

Since the mid-1990's, a variety of additional studies, plans, and ordinance revisions have been developed to address specific aspects of the City's land use and growth objectives. Area plans for the Western Branch and South Norfolk areas were adopted by City Council in 1995 and 1996, respectively. A land study was conducted to identify development potential west of Interstate 664 in the Western Branch area of the City. In June 2000, a Transportation Corridor Overlay District was adopted to preserve land for economic development opportunities along two of the City's key transportation corridors while managing emerging development patterns. Additionally, a Historic Preservation Plan and Reconnaissance Survey of architectural resources have been developed for the City. Periodic amendments to the City's Zoning Ordinance, Subdivision Ordinance, and Sign and Landscaping Ordinances continue to refine the City's ability to manage growth.

Furthermore, the City has embarked on its biggest planning project in ten years - an update of its Comprehensive Plan. The Comprehensive Plan is a series of documents that establish policies regarding the future development of the City. It establishes a vision for the future and identifies a strategy for achieving that vision, based on community input and values. Chesapeake's Comprehensive Plan includes an overall text policy document, a Land Use Plan, and a Master Transportation Plan. Implementation strategies 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 is occurring in three distinct phases. Phase One, which is complete, entailed an assessment of existing conditions and issues. Phase Two, just completed, focused on the creation and selection of a preferred

future development scenario from several alternatives. Phase Three, set to begin in Fall 2003, will focus on the development of an action plan to achieve a preferred alternative.

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 audit services staff of the City.

As part of the City's Single Audit, tests were made to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. Although this testing is not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulations, the audit for the fiscal year ended June 30, 2003 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 Commission – Component Unit, and School Board - Component Unit 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.

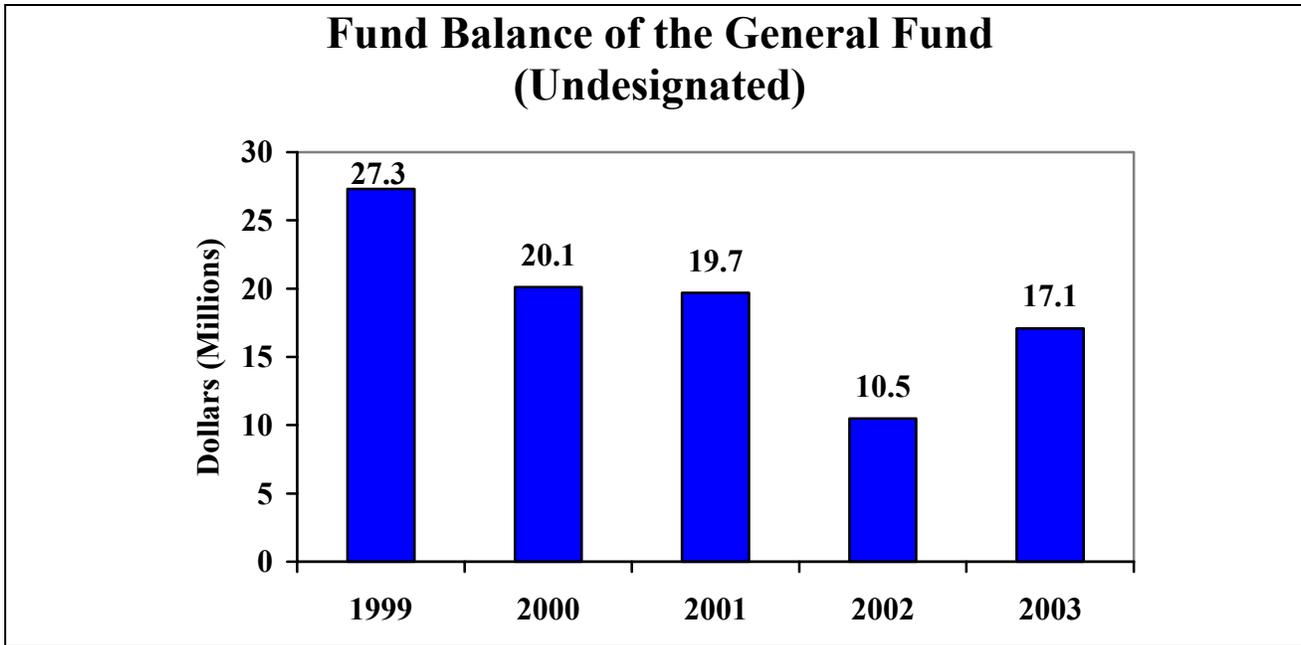
Fund Structure. The City uses individual funds to maintain its financial records. These funds can be grouped into three broad classifications: governmental funds, proprietary funds, and a fiduciary fund.

- **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 Animal Control Fund and the School Community Health Fund were eliminated as of June 30, 2003. 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 three internal service funds: Information Technology, City Garage, and Self Insurance.
- **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, 2003 designation for cash flow emergencies totaled \$22,079,730. In fiscal year 1999, City Council established an additional designation of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. In fiscal year 2002, City Council elected to freeze the amount of the designation for operating emergencies at \$16,505,980. Therefore, this amount

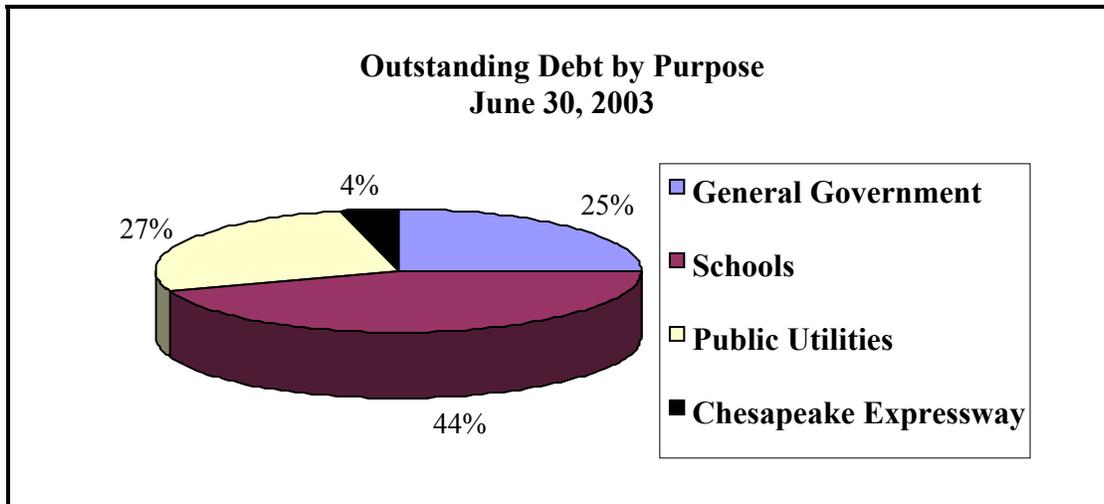
remains at \$16,505,980 as of June 30, 2003. This reserve will be increased by \$280,000 with the adoption of the fiscal year 2003-2004 budget. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$6,753,586 has been set aside in various reserves and other designations.



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$17,105,425 at June 30, 2003, an increase of \$6,634,455 from the prior year. The change is primarily due to departments monitoring of expenditures resulting in approximately \$6 million in budgetary savings as well as revenues exceeding expectations. 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, 2002			\$10.5
Revenues		\$367.2	
Expenditures:			
Current	\$307.0		
Other financing uses, net	<u>55.7</u>	(362.7)	
Decrease in reserves and designations		<u>2.1</u>	
Increase in undesignated fund balance			<u>6.6</u>
Undesignated fund balance at June 30, 2003			\$17.1

Debt Administration. As of June 30, 2003, outstanding general obligation bonds, revenue bonds, and literary loans totaled \$549,502,724 of which \$145,965,117 and \$21,630,000 relate to projects that will be paid from revenues of the Public Utilities Fund and the Chesapeake Expressway Fund, respectively. The balance of \$381,907,607 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 2003 were as follows:

Long-Term Debt Incurred In Fiscal Year 2003			
Description	Issue Amount	Issue Date	True Interest Cost
General Obligation School Bonds, Series 2002B	\$ 5,775,000	Nov 2002	3.26%
General Obligation School Refunding Bonds, Series 2003	82,210,000	Mar 2003	3.66%
General Obligation School Bonds, Series 2003A	2,260,000	May 2003	4.24%
General Obligation Public Improvement Bonds, Series 2003A	12,580,000	Jun 2003	3.71%
General Obligation Water and Sewer Bonds, Series 2003B	55,500,000	Jun 2003	4.32%
General Obligation Water & Sewer Refunding Bonds, Series 2003C	9,185,000	Jun 2003	3.03%

Cash Management. The City charter provides that the elected City Treasurer is the custodian of City Funds. For the fiscal year ended June 30, 2003, cash temporarily idle during the year was invested in demand deposits (10.06%), repurchase agreements ranging from one to five days (0.81%), and in the following instruments with an average maturity of 161 days: Virginia banks' certificates of deposit covered by federal depository insurance or collateralized under the Virginia Security for Public Deposits Act (17.10%), bankers' acceptances (.29%), U. S. Government and Agencies (14.24%), commercial paper which has obtained ratings no lower than A-1 by Standard & Poor's and no lower than P-1 by Moody's (1.91%), short-term corporate notes of domestic corporations with a rating no lower than Aa by Moody's and AA by Standard & Poor's (4.06%), full flex repurchase agreements (.87%), the Local Government Investment Pool "LGIP" (33.29%), Evergreen U.S. Treasury Money

Market (1.52%), and the Virginia State Non-Arbitrage Program "SNAP" (15.85%). 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 2.02%, which compares favorably with the average earnings yield of 1.29% for the U.S. Treasury three-month bill rate. The City of Chesapeake primary government earned revenues of \$3,674,967 on investments for the year ended June 30, 2003.

The breakdown of the interest earnings is as follows:

Interest on Invested Funds	
Fund Type	Interest Earned
General Fund	\$ 553,303
Special Revenue and Permanent Funds	74,382
Debt Service Fund	974,608
Capital Projects Fund	548,503
Enterprise Funds	1,146,455
Internal Service Funds	<u>377,716</u>
Total Interest Earned	\$ 3,674,967

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, 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 (Note 15, page 106) 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, 2002. This was the 21st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

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/

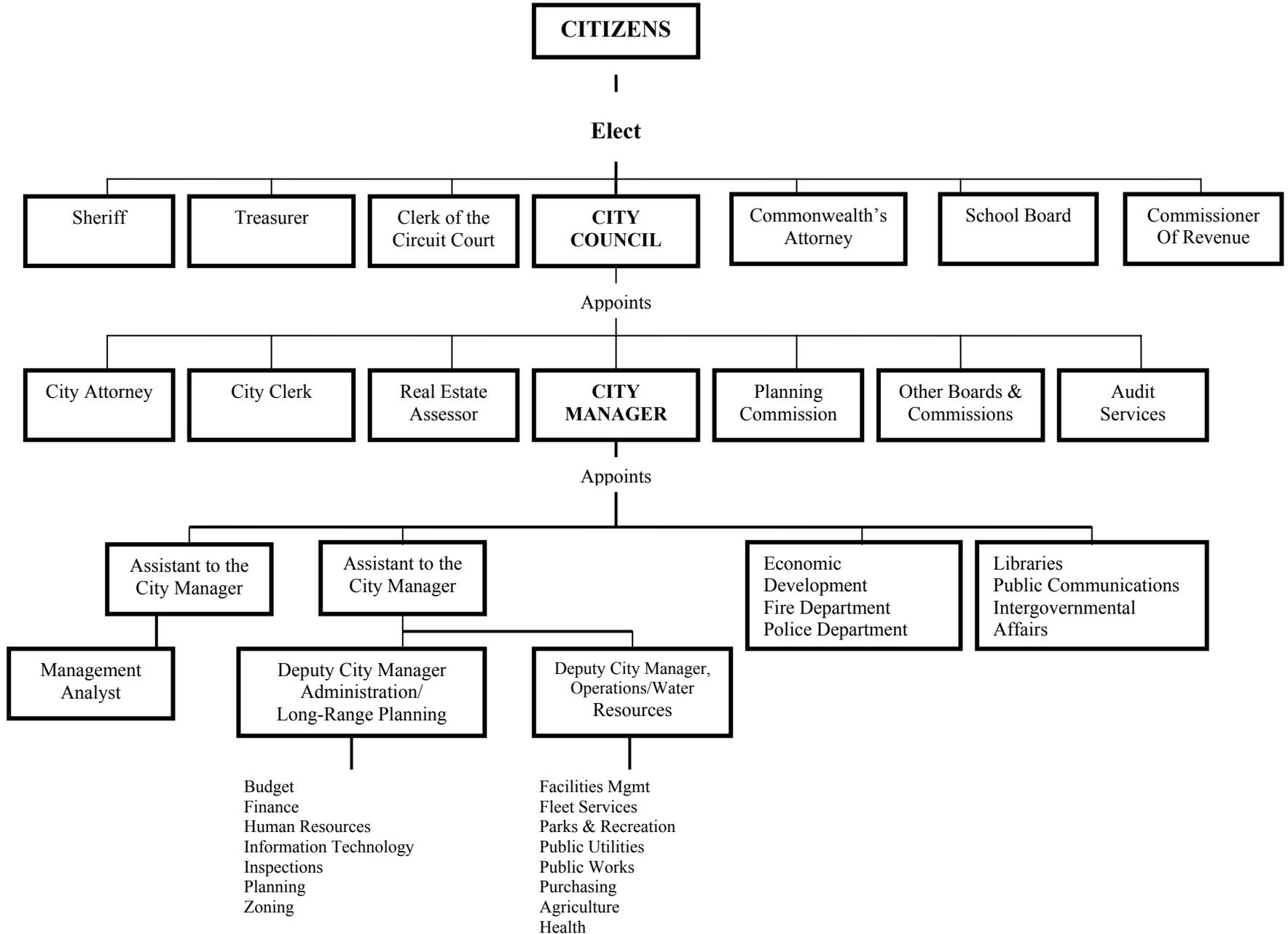
Clarence V. Cuffee
City Manager

/S/

Nancy C. Tracy
Director of Finance

Organization Chart

III



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2003

City Council

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

Rebecca C. W. Adams
Dalton S. Edge
Dr. Alan P. Krasnoff
W. Joe Newman
Dwight M. Parker
S. Z. “Debbie” Ritter
Patricia Pritchard Willis

Other Officials

Clarence V. Cuffee..... City Manager
Anne F. Odell..... Deputy City Manager, Administration/Long Range Planning
Amar Dwarkanath..... Deputy City Manager, Operations/Water Resources
Mary Ann Saunders Assistant to the City Manager
Anna D’Antonio..... Assistant to the City Manager
Dolores A. Moore City Clerk
Ronald S. Hallman..... City Attorney
V. Thomas Forehand, Jr..... Chief Justice, 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, 2003

R. Stephen Best, Sr. Fire Chief
Patrick M. Hughes Acting Director of Inspections
Watson Lawrence..... Interim Director of Agriculture
Patricia C. Biegler..... Director of Public Works
James K. Walski..... Acting Director of Public Utilities
Margaret P. Stillman..... Director of Libraries & Research Services
Brent R. Neilson Director of Planning
J. Tim Davis Zoning Administrator
William L. Rice..... Real Estate Assessor
Dania M. Karloff..... Director of Information Technology
Robert A. Clifton 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
Doris "Cookie" Roberts Director of Human Services
Tim Winslow Acting Director of Facilities Management

School Board

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

Dr. Shelia G. Hill
Jay Leftwich
Harry A. Murphy
Stephen Rodriguez
Dr. Ella P. Ward
Ann R. Wiggins
Michael J. Woods

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued
June 30, 2003

Other School Board Officials

Dr. W. Randolph Nichols..... Superintendent
Dr. William E. Russell..... Deputy Superintendent
Dr. Linda D. Palombo..... Assistant Superintendent for Curriculum & Instruction
Fred Cabler.....Assistant Superintendent for Budget & Finance
Dr. William S. Myers.....Assistant Superintendent for Personnel & Support Services
Steve Gilbert..... Assistant Superintendent for Operations
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 Willis..... Executive Director, Chesapeake Redevelopment and Housing
Doreen Quane..... Director of Administration and Finance,
Chesapeake Redevelopment and Housing
Gene Payne..... Director, Chesapeake 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, 2002

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



President

Executive Director

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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, 2003, 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 or the Chesapeake Airport Authority, which together represent 33% and 1%, 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 or the Chesapeake Airport 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, 2003, 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.

The Management's Discussion and Analysis on pages 4 through 19 and the other required supplementary information included at schedules L-1 through L-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 October 20, 2003 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

October 20, 2003

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



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year ended June 30, 2003

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, 2003. 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 2003

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2003 by \$954 million (*net assets*). Of this amount, \$100 million is unrestricted.
- The City's total net assets increased by \$18.8 million from the prior year. The governmental net assets increased \$13.0 million and business-type net assets increased by \$5.8 million. A significant portion of this increase is attributable to the donation of infrastructure assets to the City, for both governmental and business-type purposes.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$151.4 million, an increase of \$17.9 million in comparison with the prior year. Approximately 83% or \$125.2 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$4.5 million, primarily due to higher than expected revenues, coupled with restrained spending efforts by departmental managers.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$17.1 million, or 5.6% of total General Fund expenditures
- The City's total bonded debt increased by \$51.8 million (10%) during the current fiscal year, due to the issuance of self-supporting water and sewer debt of \$55.5 million, to fund the second phase of the Lake Gaston water treatment plant. Other new general obligation debt amounting to \$20.6 million was offset by scheduled repayment of principal of \$24.3 million.
- The City sold over \$8 million in general obligation school bonds during the year. The bonds will be used to fund School capital projects.
- \$12.6 million in general obligation public improvement bonds were issued to fund the completion of a major road construction project and a new fire station.
- In March 2003 the City advance refunded over \$80 million of its general obligation school debt. The refunding resulted in a decrease of over \$4 million in future debt service payments.
- In June 2003 the City refunded over \$10 million of water and sewer revenue refunding bonds, resulting in a net savings of \$2.4 million in future debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

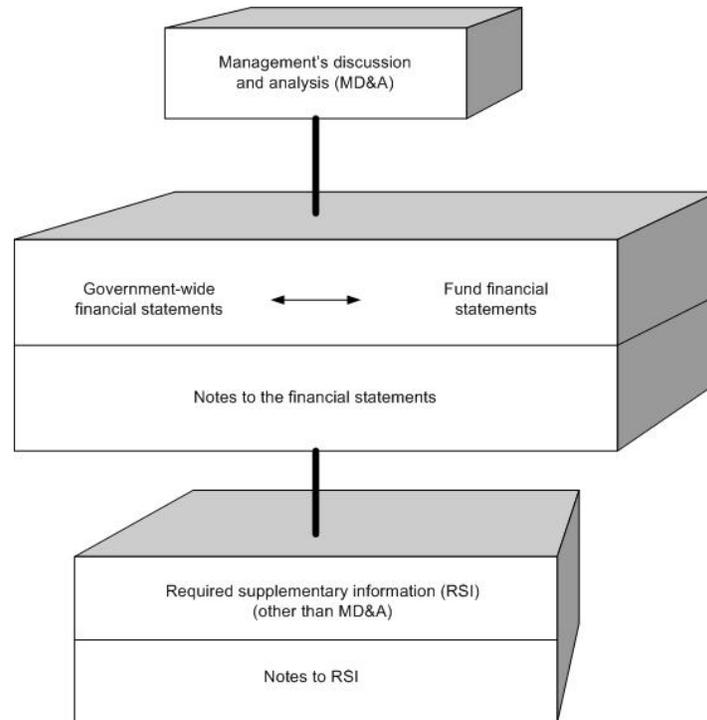
The basic financial statements include statements that present different views of the City:

- The first two statements presented are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The next statements are *fund financial statements* that focus on *individual parts* of the City's government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short-term* as well as what amounts remain for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water and sewer) system.
 - The *fiduciary fund* statement provides information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.
- The final two statements are *other discretely presented component units'* financial statements that provide financial information about the City's discretely presented component units, other than the Chesapeake Public Schools, which are aggregated on the *government-wide financial statements*.

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

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

Figure A
Required Components of Chesapeake's Financial Statements



Prior to fiscal year 2002, the primary focus of local government financial statements had 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) adopted for the year ended 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 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, public welfare, 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 Chesapeake Public Schools, the Chesapeake Mosquito Control Commission, the Industrial Development Authority of the City of Chesapeake, the Chesapeake Port Authority, and the Chesapeake Airport Authority. Although legally separate, these component units are important because the City is financially accountable for them and provides operating funding.

Fund Financial Statements

The 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 City 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

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 \$954 million at the close of fiscal year 2003. 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.

Statement of Net Assets

The following table reflects the condensed Net Assets:

Table 1
Summary of Net Assets
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 199.6	182.2	114.6	59.2	314.2	241.4
Capital assets	992.6	1,003.3	415.5	411.0	1,408.1	1,414.3
Total assets	\$ 1,192.2	1,185.5	530.1	470.2	1,722.3	1,655.7
Current and other liabilities	\$ 18.4	19.5	5.6	5.2	24.0	24.7
Long-term liabilities	502.7	507.9	241.6	187.9	744.3	695.8
Total liabilities	521.1	527.4	247.2	193.1	768.3	720.5
Net assets:						
Invested in capital assets, net of related debt	544.9	540.0	237.0	228.7	781.9	768.7
Restricted net assets	27.3	26.2	44.7	46.9	72.0	73.1
Unrestricted net assets	98.9	91.9	1.2	1.5	100.1	93.4
Total net assets	671.1	658.1	282.9	277.1	954.0	935.2
Total liabilities and net assets	\$ 1,192.2	1,185.5	530.1	470.2	1,722.3	1,655.7

Approximately 7.5% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$100.1 million or 10.5%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the primary government as a whole as well as for its separate governmental and business-type activities. The same was true for fiscal year 2002.

There was a decrease of \$2.2 million in restricted net assets in the business-type activities. Approximately half of this decrease resulted from the refunding of water and sewer revenue refunding bonds with general obligation bonds, thus removing restrictions on the debt service reserve. The funds were used to reduce principal debt outstanding on the refunded bonds.

The City's total net assets increased by \$18.8 million during the fiscal year. The increase in revenues (6.4%) far exceeded the nominal increase in expenses (1%) for this period.

Governmental Activities

Net assets of the City's governmental activities increased by \$13 million as shown on the Statement of Activities, accounting for 69% of the total growth in net assets of the City. This increase was largely due to capital grants and contributions supporting the Public Works function, which includes roads. Over \$9 million in donated infrastructure assets are included in this category, up from \$6 million in the prior year. Expenses were held down to a 1% increase.

Business-type Activities

The net assets of the City's business-type activities increased from \$277.1 million to \$282.9 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 Management, and the Chesapeake Expressway enterprise funds. A key element of this increase was due to deeded and donated assets from developers in the amount of \$8.3 million. Current and other assets increased by approximately \$55 million due to the sale of \$55.5 million water and sewer bonds in June 2003. There were no major fee increases for the period; however, expenses increased approximately 4%.

Statement of Activities

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

Table 2
Changes in Net Assets
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Revenues						
Program revenues:						
Charges for services	\$ 18.9	16.3	46.9	46.7	65.8	63.0
Operating grants and contributions	70.0	71.1	1.0	2.0	71.0	73.1
Capital grants and contributions	13.5	8.7	8.3	6.1	21.8	14.8
General revenues:						
Property taxes	186.7	172.1	-	-	186.7	172.1
Other taxes	94.7	86.2	-	-	94.7	86.2
Unrestricted investment earnings	1.5	3.1	0.1	-	1.6	3.1
Other	0.7	2.0	-	-	0.7	2.0
Capital grants and contributions not restricted to specific programs	28.3	28.0	-	-	28.3	28.0
Total revenues	414.3	387.5	56.3	54.8	470.6	442.3
Expenses						
General government	80.5	84.4	-	-	80.5	84.4
Public safety	65.8	64.8	-	-	65.8	64.8
Public works	37.5	36.2	-	-	37.5	36.2
Parks	9.3	8.5	-	-	9.3	8.5
Public welfare	32.7	34.8	-	-	32.7	34.8
Education (payment to Schools)	134.2	127.6	-	-	134.2	127.6
Public Utilities	-	-	36.3	35.9	36.3	35.9
Stormwater Management	-	-	2.7	2.4	2.7	2.4
Chesapeake Expressway	-	-	8.9	8.0	8.9	8.0
Depreciation - unallocated	20.5	20.3	-	-	20.5	20.3
Other	-	-	1.6	1.5	1.6	1.5
Interest on long-term debt	21.8	22.9	-	-	21.8	22.9
Total expenses	402.3	399.5	49.5	47.8	451.8	447.3
Excess (deficiency) before transfers	12.0	(12.0)	6.8	7.0	18.8	(5.0)
Transfers	1.0	1.2	(1.0)	(1.2)	-	-
Increase (decrease) in net assets	13.0	(10.8)	5.8	5.8	18.8	(5.0)
Net assets - beginning	658.1	668.9	277.1	271.3	935.2	940.2
Net assets - ending	\$ 671.1	658.1	282.9	277.1	954.0	935.2

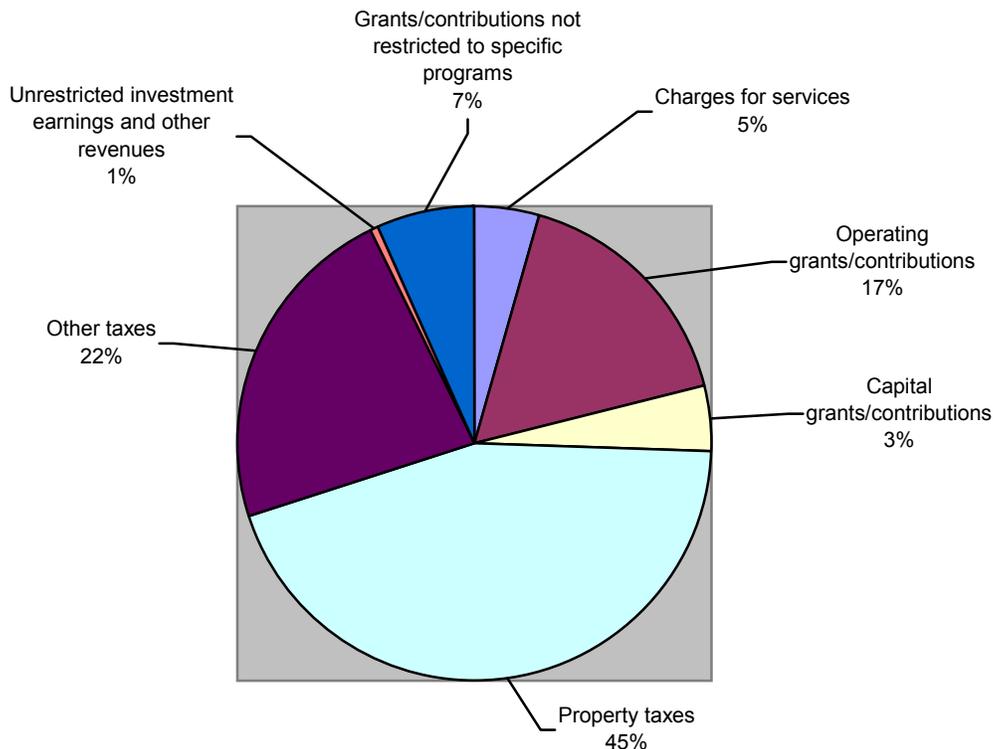
Governmental Activities

The City's total revenues from governmental activities were \$414.3 million for the fiscal year ended June 30, 2003. The largest source of revenue (\$186.7 million for fiscal year 2003) for the City is property taxes, composed of real estate and personal property taxes. Revenue from property taxes increased 8% over the prior year, largely due to the 7.6% increase in the City's assessed real property tax base. The City has maintained the same real estate tax rate (\$1.28 per \$100 of assessed value for properties serviced by the Mosquito Control Commission and \$1.26 per \$100 of assessed value for other properties) for the last eight years.

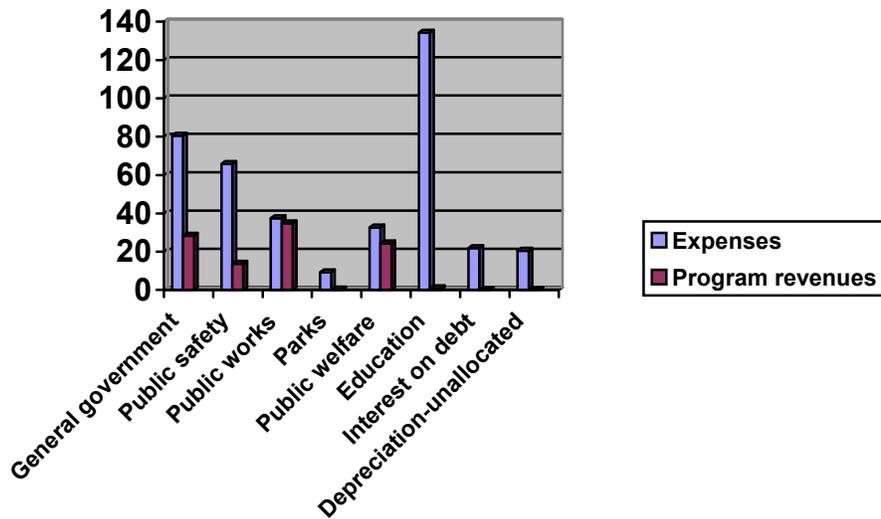
Revenues from other taxes increased by \$8.5 million over the prior fiscal year, due to a cigarette tax increase from 25 cents to 50 cents per pack, and an increase in the consumer E-911 telephone tax from \$1.95 to \$2.50 per trunk line per month. Additionally, the City received a one-time \$1 million payment for consumer utility taxes from one customer due to a billing error by the customer. Approximately 60% 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 for governmental activities cover a wide range of services, with 16.4% or \$65.8 million for fiscal year 2003 related to public safety and 33.4% or \$134.2 million for fiscal year 2003 for education (payments to the Public Schools, a component unit). Overall, expenses for governmental activities increased only slightly by 1% largely in response to reduced State funding for the budget year.

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. This increase accounted for 31% of the total growth in the City’s net assets. Charges for services including water and sewer utility fees, stormwater fees, and toll revenues make up 83% of total revenues for business-type activities. Expenses for the Stormwater Management activity were up slightly with the addition of approved staffing levels, and the Chesapeake Expressway incurred higher depreciation charges for the year. The net increase in expenses for business-type activities remained low, however, at 4%.

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, 2003, the governmental funds reported combined ending fund balances of \$151.4 million, an increase of \$17.9 million in comparison with the prior year. Included in this are the following major transactions in governmental funds:

- \$2.1 spent on the pay plan from General Fund designated fund balance.
- \$13.6 million spent in the Capital Projects Fund to fund infrastructure, the 800 MHz digital radio system, and other community facilities.

- \$121.6 million contributed by the City's General Fund in operating and capital funds to finance the Public Schools' operations and capital construction. Additionally, the City paid \$22.5 million in debt service for the Public Schools.
- \$21 million principal debt retired, plus \$21 million of new borrowing.
- Refinancing of \$81 million School bonds for debt service savings.

Approximately \$125.2 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:

- \$22.1 million for cash flow emergencies
- \$16.5 million for operating emergencies
- \$22.1 million for debt service
- \$38.1 million for capital projects
- \$1.7 million for various other purposes

The remainder of the unreserved fund balance at June 30, 2003, not designated for a specific purpose, includes \$17.1 million in the General Fund, the City's chief operating fund. This amount represents 5.6% of total General Fund expenditures, as a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$4.5 million for fiscal year 2003. Key factors that contributed to this increase were stronger than expected revenues coupled with department managers' efforts to reduce planned spending. In addition, the General Fund had an increase in undesignated fund balance from operations amounting to \$6.6 million. This increase represents an excess of revenues over expenditures of \$60.2 million, other financing uses, net, of \$55.7 million, and a net decrease in reserves and designations of \$2.1 million.

The General Fund experienced an overall 6.6% growth in revenue, largely due to the increase in general property tax assessments. This accounted for over \$14 million in increased tax revenue for the City. Investment income was down 56% due to the decreasing interest rates nationwide. Expenditures were held near the fiscal year 2002 level, with a 2.5% increase over last year. A hiring freeze was in effect for a significant part of the year contributing to the General Fund's year-end cost efficiencies.

The Debt Service Fund ended the year with \$25 million in total fund balance, essentially unchanged from the prior year. The unreserved fund balance is \$22.1 million, which has been designated by City Council for the payment of debt service. There was a minimal net increase in fund balance of \$96,000, which comprised the following major transactions:

- a planned use of fund balance of \$792,000 for capital projects
- issuance of \$20.6 million in new general obligation debt, of which \$8 million was recorded in the Debt Service Fund, and \$82.2 million of refunding bonds, with a total premium received of \$8.2 million
- the payment of \$6 million of bond proceeds to the Schools Component Unit for school construction projects

- a decrease of over \$2 million in net debt service temporary reductions due in part to the refunding/restructuring of the City's debt portfolio in fiscal year 2002.

The City spent \$13.6 million in the Capital Projects Fund to fund major capital projects, including, Cedar Road improvements, the Great Bridge (AIW) Bridge, the Indian River Library expansion, the 800 MHz digital radio system, and improvements in Campostella Square. Additional funding for Cedar Road was provided by \$10.5 million in general obligation bond proceeds, approved by a prior transportation referendum. A new \$2.1 million project for Fire Station #9 in Camelot was also funded by bonds. The City provided \$2.4 million in bond funds for Grassfield High School architectural and engineering design costs.

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 \$34.2 million. Growth in net assets was \$7.4 million, resulting mainly from the booking of deeded and donated assets from developers in the amount of \$8.3 million. The decrease in net assets prior to the impact of this transaction was \$888,417. The Public Utilities Fund recorded a liability in the current year in the amount of \$808,075 to the City of Norfolk for an under billing of treated water. Over \$6 million was spent on major water and sewer capital projects.

The Chesapeake Expressway began operations in May 2001 and commenced collecting tolls. Operating revenues for fiscal year 2003 totaled \$6.2 million versus \$5.9 for 2002. Operating expenses for the year amounted to \$6.7 million, with over \$4 million from depreciation expense. Net assets decreased by \$2.9 million, with the Chesapeake Expressway Fund covering interest expense of \$2.2 million on the toll road revenue bonds.

The Stormwater Management Fund, an enterprise fund, had \$6.6 million in restricted net assets at June 30, 2003, essentially unchanged from the prior year. Net income from operations was \$1.8 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.9 million was spent on various stormwater, dredging, and drainage improvement projects during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Fiscal Year 2003

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 276,262,700	278,242,917	280,670,339
Intergovernmental	68,066,300	68,081,763	69,579,263
Other	17,185,750	17,368,360	16,371,764
Total	361,514,750	363,693,040	366,621,366
Expenditures and transfers:			
Expenditures *	191,012,280	191,384,710	185,395,108
Transfers (net)	175,711,384	177,697,914	176,745,810
Total	366,723,664	369,082,624	362,140,918
Change in fund balance	\$ (5,208,914)	(5,389,584)	4,480,448

*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$2.8 million for encumbrances reappropriated from June 30, 2002.

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$372,430 (increase in appropriations) and include the following major changes:

- \$330,000 increase in appropriations from designated fund balance for the economic development incentive grant program
- \$370,000 reduction of appropriations for General Fund departments resulting from reduced revenue estimates from the State
- \$500,000 appropriation for bridge repairs in Public Works funded by Virginia Department of Transportation funds
- \$470,000 appropriation from one-time utility consumer taxes
- \$419,000 additional appropriation to the Fire Department for emergency operations, funded by increase in E-911 taxes
- Over \$700,000 appropriations transferred to the Central Fleet Internal Service Fund for purchase of fleet vehicles for user departments

Actual total revenues exceeded the amended budget by \$2.9 million, largely due to the increased tax on cigarettes from 25 cents per pack to 50 cents per pack effective September 1, 2002, and higher than anticipated local sales tax. The cigarette tax revenue was budgeted conservatively, anticipating a slowdown of revenue due to the higher tax, but actual revenues came in at \$1.7 million over budget. The City budgeted for the Commonwealth to continue at the 70% level of the Personal Property Tax Relief Act (PPTRA) phase-out of property tax on personal vehicles. The state remitted \$1.3 million over budget to the City for delinquent PPTRA. Expenditures were significantly below budget by \$6.0 million. This positive budget variance was more than sufficient to offset the planned use of undesignated fund balance and reserves in the amount of \$5.4 million.

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, 2003, amounts to \$1.4 billion (net of accumulated 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. The total change in the City's investment in capital assets for the current year was a decrease of less than 1% (a decrease of 1% for governmental activities and an increase of 1% for business-type activities).

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

- The City continued its participation with the U.S. Army Corps of Engineers in the Atlantic Intercoastal Waterway (Great Bridge) Bridge project, contributing \$2.7 million to the project in fiscal year 2003.
- Construction in progress totaled \$56 million for governmental activities at the end of the fiscal year (including certain Public Schools projects under construction).
- Construction in progress totaled \$30.4 million for business-type activities at the end of the fiscal year.

The City's fiscal year 2004 capital budget calls for \$8.9 million for capital projects, including \$3.2 million for Cedar Road improvements, a major east/west thoroughfare. The City plans to use existing funds for the majority of projects. No new debt will be issued.

City of Chesapeake's Capital Assets (net of accumulated depreciation) (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 251.8	247.8	17.1	17.0	268.9	264.8
Construction in progress	56.0	50.0	30.4	25.0	86.4	75.0
Buildings	388.1	397.3	4.0	4.0	392.1	401.3
Improvements other than buildings	8.2	6.0	1.0	1.0	9.2	7.0
Equipment and vehicles	21.5	22.0	5.1	5.0	26.6	27.0
Infrastructure	267.0	280.1	358.0	359.0	625.0	639.1
Total	\$ 992.6	1,003.2	415.6	411.0	1,408.2	1,414.2

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 \$549,502,724. Of this amount, \$520,107,724 comprises debt backed by the full faith and credit of the City and \$29,395,000 is debt secured by revenues of the Public Utilities Fund and the Chesapeake Expressway Fund.

**City of Chesapeake's Outstanding Debt
General Obligation, Revenue Bonds, and Literary Loans
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 375.1	373.5	138.2	76.4	513.3	449.9
Revenue bonds	-	-	29.4	40.3	29.4	40.3
Literary loans	6.8	7.5	-	-	6.8	7.5
Total	\$ 381.9	381.0	167.6	116.7	549.5	497.7

Chesapeake's total bonded debt increased by \$51.8 million during the fiscal year. The City sold over \$8 million general obligation bonds for School purposes and \$12.6 million for public safety and road construction purposes. In addition, \$55.5 million general obligation bonds, backed by the City's pledge as well as the revenues of the Public Utility system, were sold to fund a treatment plant for Lake Gaston water. These issuances were offset by debt principal repayments amounting to \$24.3 million.

During the year the City refunded some of its existing debt to take advantage of favorable interest rates:

- The City issued general obligation school refunding bonds to defease outstanding bonds that were sold to the Virginia Public School Authority. The result is expected to be a decrease in future debt service payments of \$4 million.
- The City issued general obligation water and sewer refunding bonds to refund water and sewer revenue refunding bonds. The result will be a net savings of \$2.4 million in future debt service payments.

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% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$1,211,919,574, which is significantly in excess of the City's total outstanding debt subject to the legal debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2003 for the City of Chesapeake is 3.4%, which is an increase from the 3.3% average for 2002. This compares to the state's average unemployment rate of 4.0% and the average national rate of 5.9%.
- Chesapeake's annual population growth rate has slowed over the past several years, from approximately 4.24% from 1994 to 1995, to 1.70% from 2002 to 2003.
- 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. For fiscal year 2004, \$2.1 million of these costs will be absorbed within the base operating budget.
- Declining state support in numerous program areas continues to be a challenge in the City's desire to maintain local support levels without an increase in the real estate tax rate.
- In September 2003 the City incurred significant impact from Hurricane Isabel. City Council approved an emergency appropriation in October 2003 of over \$16 million for the federal anticipated share of the City's clean-up and restoration efforts. The total cost of the City's emergency preparation and recovery efforts are still being evaluated.

All of these factors were considered in preparing Chesapeake's budget for the 2004 fiscal year with the exception of the impact of Hurricane Isabel which occurred after the budget was adopted.

During the current fiscal year, undesignated fund balance in the General Fund increased from \$10.4 million to \$17.1 million. The fiscal year 2003-2004 operating budget includes a planned use of General Fund Balance in the amount of \$4 million. The major portion of this amount, \$3.2 million, will partially cash fund Cedar Road improvements, which reduced the debt needed to fund this major road project. No real estate tax rate increase was recommended. Stormwater rates remained stable as well. Water rates for the Public Utilities Fund, an enterprise fund, were increased effective July 2003 by 17% to \$3.87 per 1,000 gallons. The rate increase was necessary to fund debt service requirements on the bonds issued in fiscal year 2003, which will fund construction of the Lake Gaston Water Treatment Plant.

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, 2003

	Governmental Activities	Business - Type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 103,618,977	18,856,975	122,475,952	24,040,202	5,838,807
Receivables, net of allowance for uncollectibles (note 3)	33,020,058	8,552,614	41,572,672	12,791,949	40,977,422
Due from component units, net of allowance for uncollectibles (note 7)	622,000	-	622,000	-	-
Internal balances (note 1)	360,908	(360,908)	-	-	-
Inventories	325,488	495,176	820,664	994,061	227,043
Prepaid items	744,924	34,742	779,666	687,076	-
Restricted assets (note 2):					
Cash and temporary investments with trustee	4,304,712	1,432,152	5,736,864	-	-
Cash restricted for debt service	-	1,930,894	1,930,894	-	-
Cash restricted for debt service with trustee	-	3,335,169	3,335,169	-	-
Cash with State Set-Aside (note 6)	98,639	-	98,639	-	-
Capital construction:					
Cash and temporary investments	47,104,849	76,562,148	123,666,997	10,435,437	-
Cash and temporary investments with trustee	8,411,896	2,673,447	11,085,343	-	-
Capital assets (notes 4, 6 and 9):					
Land	251,782,465	17,083,373	268,865,838	13,954,283	6,383,886
Construction in progress	55,973,891	30,407,855	86,381,746	28,693,091	-
Buildings	499,341,536	4,215,589	503,557,125	4,649,301	1,246,523
Improvements other than buildings	11,988,006	1,299,077	13,287,083	2,433,648	13,115,190
Equipment and vehicles	67,601,862	9,349,995	76,951,857	44,960,345	640,760
Infrastructure	920,264,241	460,331,813	1,380,596,054	-	-
Accumulated depreciation	(814,263,452)	(107,141,765)	(921,405,217)	(32,380,780)	(4,932,586)
Other assets	957,247	1,035,427	1,992,674	-	58,828
Total assets	\$ 1,192,258,247	530,093,773	1,722,352,020	111,258,613	63,555,873
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses (note 3)	\$ 16,111,561	3,394,974	19,506,535	28,649,350	1,144,484
Deferred revenue	524,463	2,269,979	2,794,442	38,540	4,180
Matured bonds payable (note 6)	1,760,000	-	1,760,000	-	-
Due to primary government (note 7)	-	-	-	-	2,885,502
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	41,091,798	5,531,562	46,623,360	3,799,517	2,480,000
Due in more than one year	461,647,587	236,014,273	697,661,860	25,379,602	42,211,092
Total liabilities	521,135,409	247,210,788	768,346,197	57,867,009	48,725,258
Net assets					
Invested in capital assets, net of related debt	544,936,380	237,029,324	781,965,704	58,243,213	9,779,941
Restricted for:					
Capital projects	7,989,225	2,152,881	10,142,106	8,992,924	-
Debt service	15,626,869	5,948,680	21,575,549	-	-
Other purposes:					
Expendable	3,668,508	36,571,541	40,240,049	1,882,000	-
Nonexpendable	12,795	-	12,795	-	-
Unrestricted	98,889,061	1,180,559	100,069,620	(15,726,533)	5,050,674
Total net assets	671,122,838	282,882,985	954,005,823	53,391,604	14,830,615
Total liabilities and net assets	\$ 1,192,258,247	530,093,773	1,722,352,020	111,258,613	63,555,873

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

Statement of Activities
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Discretely Presented Component Units	
					Governmental Activities	Business-type Activities		Public Schools	Others
PRIMARY GOVERNMENT									
Governmental activities:									
General government	\$ 80,503,601	11,271,768	16,816,818	222,482	(52,192,533)	-	(52,192,533)	-	-
Public safety	65,792,095	4,581,012	9,084,263	-	(52,126,820)	-	(52,126,820)	-	-
Public works	37,462,813	893,075	20,715,471	13,253,093	(2,601,174)	-	(2,601,174)	-	-
Parks	9,346,534	115,118	210,632	-	(9,020,784)	-	(9,020,784)	-	-
Public welfare	32,721,747	2,036,441	22,287,663	-	(8,397,643)	-	(8,397,643)	-	-
Education	134,217,915	-	920,741	-	(133,297,174)	-	(133,297,174)	-	-
Interest on long term debt	21,747,106	-	-	-	(21,747,106)	-	(21,747,106)	-	-
Depreciation and amortization - net unallocated portion (note 4)	20,499,181	-	-	-	(20,499,181)	-	(20,499,181)	-	-
Total governmental activities	402,290,992	18,897,414	70,035,588	13,475,575	(299,882,415)	-	(299,882,415)	-	-
Business-type activities:									
Public Utilities	36,267,069	34,453,540	814,625	8,253,320	-	7,254,416	7,254,416	-	-
Chesapeake Expressway	8,956,642	6,249,849	183,644	5,302	-	(2,517,847)	(2,517,847)	-	-
Stormwater Management	2,665,521	4,424,005	-	-	-	1,758,484	1,758,484	-	-
Northwest River Park	96,570	105,798	-	-	-	9,228	9,228	-	-
Jordan Bridge	905,821	1,104,234	-	-	-	198,413	198,413	-	-
Recreation	590,973	574,164	-	-	-	(16,809)	(16,809)	-	-
Total business-type activities	49,482,596	46,911,590	998,269	8,258,622	-	6,685,885	6,685,885	-	-
Total primary government	\$ 451,773,588	65,809,004	71,033,857	21,734,197	(299,882,415)	6,685,885	(293,196,530)	-	-
COMPONENT UNITS									
Public Schools	\$ 300,984,185	7,174,775	52,647,409	1,314,910	-	-	-	(239,847,091)	-
Mosquito Control Commission	3,381,853	3,427,738	39,048	-	-	-	-	-	84,933
Industrial Development Authority	3,342,738	300,000	3,463,947	-	-	-	-	-	421,209
Chesapeake Port Authority	-	-	99	-	-	-	-	-	99
Chesapeake Airport Authority	1,035,264	234,252	624,716	3,108	-	-	-	-	(173,188)
Total component units	\$ 308,744,040	11,136,765	56,775,219	1,318,018	-	-	-	(239,847,091)	333,053
GENERAL REVENUES									
Taxes:									
Property taxes, levied for general purposes	\$				186,726,025	-	186,726,025	-	-
Local sales and use taxes					26,452,698	-	26,452,698	-	-
Business license taxes					17,532,069	-	17,532,069	-	-
Consumer utility taxes					17,200,898	-	17,200,898	-	-
Other taxes					33,468,540	-	33,468,540	-	-
Payment from City					-	-	-	127,255,113	-
Grants and contributions not restricted to specific programs					28,323,399	-	28,323,399	118,549,819	-
Unrestricted investment earnings					1,549,235	148,186	1,697,421	24,185	-
Miscellaneous					676,900	-	676,900	271,971	-
Gain (loss) on disposal of assets					(46,502)	-	(46,502)	-	9,422
Transfers					1,037,012	(1,037,012)	-	-	-
Total general revenues and transfers					312,920,274	(888,826)	312,031,448	246,101,088	9,422
Change in net assets					13,037,859	5,797,059	18,834,918	6,253,997	342,475
Net assets - beginning					658,084,979	277,085,926	935,170,905	47,137,607	14,488,140
Net assets - ending	\$				671,122,838	282,882,985	954,005,823	53,391,604	14,830,615

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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, 2003

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 50,252,302	21,869,878	-	8,680,356	80,802,536
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,253,052	-	-	-	2,253,052
Shared expenditures	1,155,102	-	-	-	1,155,102
State categorical aid	-	-	-	937,137	937,137
Street construction and maintenance	4,906,605	-	-	-	4,906,605
Personal property tax relief act	6,500,334	-	-	-	6,500,334
Other	609,316	-	473,615	-	1,082,931
Federal government	60,364	-	-	1,702,256	1,762,620
Receivables (note 3):					
Property taxes (note 3)	12,361,785	-	-	-	12,361,785
Accounts receivable	256,029	-	-	197,527	453,556
Utility taxes	1,740,631	-	-	-	1,740,631
Interest	292,001	120,404	30,309	792	443,506
Fines	181,098	-	-	-	181,098
Ambulance fees	2,710,585	-	-	-	2,710,585
Telephone E-911	361,332	-	-	-	361,332
Restaurant and food tax	1,226,976	-	-	-	1,226,976
Other	1,414,013	-	7,894	20,000	1,441,907
Allowance for uncollectible amounts (note 3)	(6,594,790)	-	-	-	(6,594,790)
Due from other funds (note 8)	1,376,509	459,000	-	-	1,835,509
Restricted assets:					
Cash and temporary investments with trustee	-	4,304,712	-	-	4,304,712
Cash with State Set-Aside (note 6)	98,639	-	-	-	98,639
Capital construction:					
Cash and temporary investments	-	-	47,104,849	-	47,104,849
Cash and temporary investments with trustee	-	-	8,411,896	-	8,411,896
Advances to other funds - City Garage (note 7)	297,854	-	-	-	297,854
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	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 81,691,737	27,143,994	56,028,563	11,538,068	176,402,362

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2003

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 2,583,355	124,075	-	1,149,105	3,856,535
Deposits	2,778,711	-	-	29,891	2,808,602
Accrued expenditures (note 3)	3,622,590	21,577	-	-	3,644,167
Deferred revenues (note 5)	10,262,360	-	-	168,528	10,430,888
Payables from restricted assets:					
Matured certificates of participation payable	-	1,760,000	-	-	1,760,000
Matured interest payable (note 3)	-	204,793	-	-	204,793
Construction projects payable (note 3)	-	-	482,425	-	482,425
Due to other funds (note 8)	-	-	459,000	1,376,509	1,835,509
Total liabilities	19,247,016	2,110,445	941,425	2,724,033	25,022,919
Fund balances					
Reserved (note 11):					
Expendable	5,233,480	2,961,173	16,955,924	1,046,667	26,197,244
Nonexpendable	-	-	-	12,795	12,795
Unreserved:					
Designated for debt service	-	22,072,376	-	-	22,072,376
Designated for construction projects	-	-	38,131,214	-	38,131,214
Designated for cash flow emergencies (note 6)	22,079,730	-	-	-	22,079,730
Designated for operating emergencies (note 6)	16,505,980	-	-	-	16,505,980
Designated	1,520,106	-	-	-	1,520,106
Designated - Special Revenue Funds	-	-	-	225,097	225,097
Undesignated	17,105,425	-	-	-	17,105,425
Undesignated - Special Revenue Funds	-	-	-	7,529,476	7,529,476
Total fund balances	62,444,721	25,033,549	55,087,138	8,814,035	151,379,443
Total liabilities and fund balances	\$ 81,691,737	27,143,994	56,028,563	11,538,068	176,402,362

(Continued)

Balance Sheet
 Governmental Funds
 June 30, 2003

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	\$	151,379,443
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capital assets used in governmental activities as reported in footnote 4 to the financial statements also include assets of \$19,630,449 associated with the internal service funds as indicated below.		973,058,100
Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets.		957,247
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.		9,906,425
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets as detailed below. The total amount included in governmental activities includes neither the portion allocable to business-type activities of \$360,908 as noted on Schedule E nor the interfund advance of \$297,854 eliminated in the consolidation.		
Capital assets		19,630,449
Long-term debt		(23,140,034)
Other assets and liabilities		23,100,747
		19,591,162
Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, are not reported in the funds.		(4,170,188)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total long-term obligations for governmental activities as reported in footnote 6 to the financial statements also include long-term obligations of \$23,140,034 associated with the internal service funds as indicated above.		(479,599,351)
Net assets of governmental activities	\$	671,122,838

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, 2003

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 187,609,314	-	-	-	187,609,314
Other local taxes	93,061,025	-	-	1,593,180	94,654,205
Licenses, permits, and fees	1,830,338	-	-	139,452	1,969,790
Fines and forfeitures	2,416,446	-	-	-	2,416,446
Investment income	553,303	974,608	548,503	74,382	2,150,796
Revenues from use of property	224,650	115,765	-	-	340,415
Charges for services	7,023,103	-	-	4,337,915	11,361,018
Miscellaneous local revenues	113,401	217,850	-	11,180	342,431
Recovered costs	4,210,523	-	141,721	60,068	4,412,312
Program income	-	-	-	407,175	407,175
Revenues from local developers	-	-	636,732	-	636,732
Intergovernmental revenues:					
Commonwealth of Virginia	69,229,589	222,482	3,227,071	10,738,143	83,417,285
Federal government	349,674	-	55,972	15,524,888	15,930,534
Chesapeake Public Schools	644,016	276,725	-	-	920,741
Total revenues	367,265,382	1,807,430	4,609,999	32,886,383	406,569,194
EXPENDITURES					
Current:					
General government	74,413,468	-	-	4,821,016	79,234,484
Public safety	62,276,961	-	-	2,624,316	64,901,277
Public works	38,551,088	-	-	-	38,551,088
Parks	7,823,229	-	-	109,013	7,932,242
Public welfare	-	-	-	32,916,436	32,916,436
Education - Payments to Public Schools	121,643,526	5,991,476	-	-	127,635,002
Capital outlay	-	-	13,604,786	280,842	13,885,628
Debt service	2,330,362	43,036,275	-	-	45,366,637
Total expenditures	307,038,634	49,027,751	13,604,786	40,751,623	410,422,794
Excess (deficiency) of revenues over (under) expenditures	60,226,748	(47,220,321)	(8,994,787)	(7,865,240)	(3,853,600)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2003

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	595,997	41,515,841	7,419,605	12,215,445	61,746,888
Proceeds from bond issuance	-	90,245,000	12,580,000	-	102,825,000
Transfers to other funds	(56,342,297)	(3,213,637)	(145,307)	(1,879,756)	(61,580,997)
Payment to refunded bond escrow agent (note 6)	-	(89,449,965)	-	-	(89,449,965)
Premiums on bonds issued (note 6)	-	8,218,994	1,000	-	8,219,994
Total other financing sources (uses)	(55,746,300)	47,316,233	19,855,298	10,335,689	21,760,920
Net change in fund balances	4,480,448	95,912	10,860,511	2,470,449	17,907,320
Fund balance - beginning	57,964,273	24,937,637	44,226,627	6,343,586	133,472,123
Fund balance - ending	\$ 62,444,721	25,033,549	55,087,138	8,814,035	151,379,443

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2003

**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 \$ 17,907,320

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	(32,272,051)	
Capital outlay expenditures	16,255,147	
Donated assets	9,247,567	
Noncapitalizable assets related to closed projects	(3,287,940)	
Asset transfers	(200,646)	
Loss on disposal	(46,502)	
		(10,304,425)

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. (967,042)

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)	(102,141,496)	
Principal repayments	19,314,583	
Payment to escrow agent for refunding	89,449,965	
		6,623,052

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	359,075	
Compensated absences	(180,528)	
Net pension obligation	45,160	
		223,707

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. (444,753)

Change in net assets of governmental activities \$ 13,037,859

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

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule E

Statement of Net Assets
 Proprietary Funds
 June 30, 2003

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds		
ASSETS						
Current assets:						
Cash and temporary investments	\$ 13,959,931	152,819	3,195,859	1,548,366	18,856,975	22,816,441
Receivables (note 3):						
Accounts	7,655,908	155,598	1,334,961	10,630	9,157,097	83,022
Interest	79,035	52,878	21,466	-	153,379	12,669
Allowance for uncollectible amounts	(693,957)	-	(63,905)	-	(757,862)	-
Inventory of materials and supplies	488,443	-	-	6,733	495,176	325,488
Prepaid expenses	34,742	-	-	-	34,742	744,924
Total current assets	21,524,102	361,295	4,488,381	1,565,729	27,939,507	23,982,544
Noncurrent assets:						
Restricted assets:						
Cash and temporary investments with trustee	-	1,432,152	-	-	1,432,152	-
Cash restricted for debt service	1,930,894	-	-	-	1,930,894	-
Cash restricted for debt service with trustee	-	3,335,169	-	-	3,335,169	-
Capital construction:						
Cash and temporary investments	71,975,539	12,658	4,573,951	-	76,562,148	-
Cash and temporary investments with trustee	-	2,673,447	-	-	2,673,447	-
Total restricted assets	73,906,433	7,453,426	4,573,951	-	85,933,810	-
Capital assets (note 4):						
Land	5,554,694	11,004,996	139,989	383,694	17,083,373	-
Construction in progress	25,357,063	-	5,050,792	-	30,407,855	-
Buildings	73,598	4,111,545	-	30,446	4,215,589	138,579
Improvements other than buildings	1,225,284	-	-	73,793	1,299,077	405,938
Equipment and vehicles	3,472,468	5,052,399	278,451	546,677	9,349,995	57,277,509
Infrastructure	372,625,420	77,711,336	5,007,667	4,987,390	460,331,813	-
Less accumulated depreciation	(94,027,259)	(9,502,749)	(425,299)	(3,186,458)	(107,141,765)	(38,191,577)
Total capital assets, net of accumulated depreciation	314,281,268	88,377,527	10,051,600	2,835,542	415,545,937	19,630,449
Other assets	847,920	187,507	-	-	1,035,427	-
Total noncurrent assets	389,035,621	96,018,460	14,625,551	2,835,542	502,515,174	19,630,449
Total assets	\$ 410,559,723	96,379,755	19,113,932	4,401,271	530,454,681	43,612,993

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule E, Continued

Statement of Net Assets
 Proprietary Funds
 June 30, 2003

	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)	\$ 832,834	90,353	44,200	275,524	1,242,911	944,851
Accrued expenses and other liabilities (note 3)	555,462	1,015,382	13,477	8,064	1,592,385	-
Deposits (note 3)	226,636	-	-	-	226,636	-
Deferred revenues (note 5)	-	-	2,227,708	42,271	2,269,979	-
Construction projects payable (note 3)	227,247	-	105,795	-	333,042	-
Current portion of long-term debt (note 6)	4,649,587	381,060	-	-	5,030,647	-
Current portion of obligations under capital leases (note 6)	-	-	-	-	-	1,673,150
Current portion of notes payable (note 6)	118,075	-	-	-	118,075	71,216
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	301,678	22,243	31,269	27,650	382,840	174,359
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	3,326,388
Total current liabilities	6,911,519	1,509,038	2,422,449	353,509	11,196,515	6,189,964
Noncurrent liabilities:						
General obligation bonds (note 6)	135,933,778	-	-	-	135,933,778	-
Revenue bonds (note 6)	7,490,000	21,367,989	-	-	28,857,989	-
Accrual for arbitrage rebate (note 6)	37,575	-	-	-	37,575	-
Due to Commonwealth of Virginia (note 6)	-	70,056,253	-	-	70,056,253	-
Obligations under capital leases (note 6)	-	-	-	-	-	3,969,863
Accrued vacation, sick pay, and overtime leave (note 6)	345,700	25,488	35,829	31,661	438,678	199,801
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	13,305,554
Advances from the General Fund (note 7)	-	-	-	-	-	297,854
Notes payable (note 6)	690,000	-	-	-	690,000	121,849
Total noncurrent liabilities	144,497,053	91,449,730	35,829	31,661	236,014,273	17,894,921
Total liabilities	151,408,572	92,958,768	2,458,278	385,170	247,210,788	24,084,885
Net Assets						
Invested in capital assets, net of related debt	224,931,233	(789,051)	10,051,600	2,835,542	237,029,324	13,794,371
Restricted for:						
Capital projects	500,000	1,652,881	-	-	2,152,881	-
Debt service	4,219,011	1,729,669	-	-	5,948,680	-
Other purposes	29,500,907	827,488	6,604,054	-	36,932,449	-
Unrestricted	-	-	-	1,180,559	1,180,559	5,733,737
Total net assets	259,151,151	3,420,987	16,655,654	4,016,101	283,243,893	19,528,108
Total liabilities and net assets	\$ 410,559,723	96,379,755	19,113,932	4,401,271	530,454,681	43,612,993

Net assets of enterprise funds, Schedule E	\$ 283,243,893
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(360,908)
Net assets of business-type activities, Schedule A	<u>\$ 282,882,985</u>

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule F

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2003

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds		
OPERATING REVENUES						
Charges for services:						
Sale of water	\$ 21,201,383	-	-	-	21,201,383	-
Billings to departments	-	-	-	-	-	21,270,540
Sewer service charges	7,734,948	-	-	-	7,734,948	-
Stormwater management fees	-	-	4,424,005	-	4,424,005	-
Tolls and tickets	-	6,190,653	-	1,102,159	7,292,812	-
Rental fees	990,380	-	-	-	990,380	-
Connection fees	4,161,322	-	-	-	4,161,322	-
Recreation fees	-	-	-	679,962	679,962	-
Other	365,507	59,196	-	2,075	426,778	151,942
Total operating revenues	34,453,540	6,249,849	4,424,005	1,784,196	46,911,590	21,422,482
OPERATING EXPENSES						
Cost of materials billed	-	-	-	-	-	3,555,174
Purchases for resale	9,288,473	-	-	42,524	9,330,997	-
Water production	4,615,704	-	-	-	4,615,704	-
Sewer maintenance and operation	3,754,188	-	-	-	3,754,188	-
Water maintenance and operation	2,012,552	-	-	-	2,012,552	-
Customer service	1,014,448	-	-	-	1,014,448	-
General and administrative	1,571,426	395,923	515,444	-	2,482,793	-
Technical services	1,091,072	-	213,629	-	1,304,701	-
Other salaries and wages	-	963,699	1,246,621	556,294	2,766,614	4,060,388
Other fringe benefits	-	307,652	433,853	171,991	913,496	1,186,754
Self-insurance losses	-	-	-	-	-	3,969,842
Indemnity and medical claims	-	-	-	-	-	1,849,062
Other repairs and supplies	-	73,357	86,551	184,097	344,005	1,566,602
Equipment rental	-	-	-	-	-	312,277
Other contractual services	-	472,767	-	265	473,032	402,172
Depreciation and amortization	7,604,007	4,345,550	135,448	180,805	12,265,810	4,235,060
Insurance premiums	-	-	-	-	-	1,081,011

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule F, Continued

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2003

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds		
OPERATING EXPENSES, continued						
Recreation	-	-	-	272,514	272,514	-
Meter reading services	187,187	-	-	-	187,187	-
Other	1,050	149,325	-	184,874	335,249	847,977
Total operating expenses	31,140,147	6,708,273	2,631,546	1,593,364	42,073,290	23,066,319
Operating income (loss)	3,313,393	(458,424)	1,792,459	190,832	4,838,300	(1,643,837)
NONOPERATING REVENUES (EXPENSES)						
Investment income	814,625	183,644	131,220	16,966	1,146,455	377,716
Interest expense	(5,008,050)	(2,248,369)	-	-	(7,256,419)	(348,380)
Loss on sale of equipment	-	-	-	-	-	(54,908)
Total nonoperating revenues (expenses)	(4,193,425)	(2,064,725)	131,220	16,966	(6,109,964)	(25,572)
Income (loss) before transfers and contributions	(880,032)	(2,523,149)	1,923,679	207,798	(1,271,664)	(1,669,409)
Transfers in (note 8)	-	-	-	-	-	1,283,877
Transfers out (note 8)	(8,425)	(412,928)	(190,740)	(424,919)	(1,037,012)	(212,108)
Capital contributions	8,253,320	5,302	-	-	8,258,622	-
Increase (decrease) in net assets	7,364,863	(2,930,775)	1,732,939	(217,121)	5,949,946	(597,640)
Total net assets - beginning	251,786,248	6,351,762	14,922,715	4,233,222	277,293,947	20,125,748
Total net assets - ending	\$ 259,151,111	3,420,987	16,655,654	4,016,101	283,243,893	19,528,108
					\$ 5,949,946	
					(152,887)	
					\$ 5,797,059	

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, 2003

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 33,818,272	6,242,976	4,514,543	1,813,194	46,388,985	21,381,286
Payments to suppliers	(17,568,450)	(1,054,675)	(789,986)	(426,945)	(19,840,056)	(10,811,395)
Payments to employees	(6,058,802)	(1,274,178)	(1,679,852)	(734,939)	(9,747,771)	(5,281,650)
Net cash provided by operating activities	10,191,020	3,914,123	2,044,705	651,310	16,801,158	5,288,241
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	-	52,259
Transfers out	(8,425)	(412,928)	(190,740)	(407,953)	(1,020,046)	(149,011)
Net cash used in noncapital financing activities	(8,425)	(412,928)	(190,740)	(407,953)	(1,020,046)	(96,752)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from bond issuance	64,685,000	-	-	-	64,685,000	-
Premium on issuance of bonds	3,092,571	-	-	-	3,092,571	-
Proceeds from Commonwealth of Virginia	-	75,554	-	-	75,554	-
Reduction of arbitrage liability	(1,785)	(13,860)	-	-	(15,645)	-
Proceeds from notes payable	808,075	-	-	-	808,075	465,320
Proceeds from capital leases	-	-	-	-	-	1,472,017
Transfers in	-	-	-	-	-	1,231,618
Payment to escrow for refunding bonds	(10,185,000)	-	-	-	(10,185,000)	-
Payment of bond issuance costs	(653,968)	-	-	-	(653,968)	-
Acquisition of capital assets	(6,034,485)	(191,377)	(1,943,973)	(263,039)	(8,432,874)	(4,019,679)
Federal donations	-	5,302	-	-	5,302	-
Increase (decrease) in construction projects payable	193,482	(16,919)	(51,090)	-	125,473	-
Interest paid	(4,887,655)	(2,215,499)	-	-	(7,103,154)	(348,380)
Repayments of obligations under capital leases	(3,449)	-	-	-	(3,449)	(1,425,677)
Repayments of notes payable	-	-	-	-	-	(1,960,848)
Repayments of long-term debt	(3,611,246)	(908,947)	-	-	(4,520,193)	-
Repayment to the General Fund	-	-	-	(303,000)	(303,000)	-
Net cash provided by (used in) capital and related financing activities	43,401,540	(3,265,746)	(1,995,063)	(566,039)	37,574,692	(4,585,629)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule G, Continued

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2003

	Enterprise Funds				Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds		
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	841,190	201,752	140,255	16,966	1,200,163	431,090
Transfers out	-	-	-	(16,966)	(16,966)	(63,097)
Net cash provided by investing activities	841,190	201,752	140,255	-	1,183,197	367,993
Net increase (decrease) in cash and temporary investments	54,425,325	437,201	(843)	(322,682)	54,539,001	973,853
Cash and temporary investments beginning of year	33,441,039	7,169,044	7,770,653	1,871,048	50,251,784	21,842,588
Cash and temporary investments end of year	87,866,364	7,606,245	7,769,810	1,548,366	104,790,785	22,816,441
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	3,313,433	(458,424)	1,792,459	190,832	4,838,300	(1,643,837)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	7,604,007	4,345,550	135,448	180,805	12,265,810	4,235,060
Change in assets and liabilities increasing (decreasing) cash and temporary investments:						
Receivables	(603,842)	(6,873)	33,154	28,402	(549,159)	(41,196)
Inventory of materials and supplies	46,924	-	-	808	47,732	84,187
Prepaid expenses and other assets	262	-	-	-	262	(84,732)
Accounts payable	(116,165)	36,697	25,638	256,521	202,691	474,325
Deferred revenues	-	-	57,384	596	57,980	-
Deposits	(31,426)	-	-	-	(31,426)	-
Accrued expenses and other liabilities	2,431	633	2,189	617	5,870	-
Accrued vacation, sick pay, and overtime leave	(24,604)	(3,460)	(1,567)	(7,271)	(36,902)	(34,508)
Liability for self-insurance losses	-	-	-	-	-	2,298,942
Total adjustments	6,877,587	4,372,547	252,246	460,478	11,962,858	6,932,078
Net cash provided by operating activities	10,191,020	3,914,123	2,044,705	651,310	16,801,158	5,288,241
Supplemental information on significant noncash transactions:						
Public Utilities Fund:						
Contributions of capital assets	\$	8,253,320				

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, 2003

		Special Welfare
Assets		
Cash and temporary investments (note 2)	\$	29,784
Total assets	\$	29,784
Liabilities		
Due to children under foster care	\$	29,784
Total liabilities	\$	29,784

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

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Other Discretely Presented Component Units

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

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

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

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



Statement of Net Assets

Other Discretely Presented Component Units

June 30, 2003

	Governmental Activities		Business-type Activities		Total
	Mosquito Control Commission	Industrial Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	
ASSETS					
Cash and temporary investments (note 2)	\$ 3,301,887	2,134,219	4,452	398,249	5,838,807
Receivables, net of allowance for uncollectibles	-	40,700,153	-	277,269	40,977,422
Inventories	227,043	-	-	-	227,043
Capital assets:					
Land	116,000	5,466,037	-	801,849	6,383,886
Buildings	1,246,523	-	-	-	1,246,523
Improvements other than buildings	14,897	-	-	13,100,293	13,115,190
Equipment and vehicles	481,079	-	-	159,681	640,760
Accumulated depreciation	(58,946)	-	-	(4,873,640)	(4,932,586)
Other assets	-	-	-	58,828	58,828
Total assets	\$ 5,328,483	48,300,409	4,452	9,922,529	63,555,873
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 184,668	589,445	-	370,371	1,144,484
Deferred revenue	-	-	-	4,180	4,180
Due to primary government	-	1,319,095	944,407	622,000	2,885,502
Long-term liabilities (note 6):					
Due within one year	-	2,385,000	-	95,000	2,480,000
Due in more than one year	-	40,056,092	-	2,155,000	42,211,092
Total liabilities	184,668	44,349,632	944,407	3,246,551	48,725,258
Net assets					
Invested in capital assets, net of related debt	1,799,553	1,664,205	-	6,316,183	9,779,941
Unrestricted	3,344,262	2,286,572	(939,955)	359,795	5,050,674
Total net assets	5,143,815	3,950,777	(939,955)	6,675,978	14,830,615
Total liabilities and net assets	\$ 5,328,483	48,300,409	4,452	9,922,529	63,555,873

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule J

Statement of Activities
Other Discretely Presented Component Units
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Mosquito Control Commission	Industrial Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	
Governmental Type Activities									
Mosquito Control Commission	\$ 3,381,853	3,427,738	39,048	-	84,933	-	-	-	84,933
Business-type Activities									
Industrial Development Authority	3,342,738	300,000	3,463,947	-	-	421,209	-	-	421,209
Chesapeake Port Authority	-	-	99	-	-	-	99	-	99
Chesapeake Airport Authority	1,035,264	234,252	624,716	3,108	-	-	-	(173,188)	(173,188)
Total component units	7,759,855	3,961,990	4,127,810	3,108	84,933	421,209	99	(173,188)	333,053
GENERAL REVENUES									
					8,498	-	-	924	9,422
					8,498	-	-	924	9,422
Change in net assets					93,431	421,209	99	(172,264)	342,475
Net assets - beginning					5,050,384	3,529,568	(940,054)	6,848,242	14,488,140
Net assets - ending					5,143,815	3,950,777	(939,955)	6,675,978	14,830,615

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Notes to Basic Financial Statements



(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.

(Continued)

(1) Continued

- The Industrial Development Authority of the City of Chesapeake (the IDA) was established under the Industrial Development and Revenue Bond Act, *Code 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 General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also advanced the Airport Authority certain amounts and has provided the Airport Authority with a loan, both of which are still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.

(Continued)

(1) Continued

- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. Prior to January 2003, there were five separate Mosquito Control Commissions serving five of the City's six boroughs through representation from City Council-appointed members. However, in August 2002 City Council approved the consolidation of the five Mosquito Control Commissions into one Commission serving the entire City. Under the reorganization plan approved by City Council in November 2002, the Commission consists of eleven commissioners during the transition period, with a reduction to seven commissioners as terms expire. This consolidation became effective in January 2003. The City finances the operations of the Commission through incremental property taxes. The Commission does not issue separate audited financial statements.

Government-wide and Fund Financial Statements

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

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

(Continued)

(1) Continued

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual (i.e., both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually within 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.

(Continued)

(1) Continued

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

(Continued)

(1) Continued

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

Special Revenue Funds account for revenues and expenditures related to programs that are restricted in nature for specific purposes. Examples include providing services to mental health, mental retardation and substance abuse programs, activities of the Community Development Block Grant Program, individual grant programs, and rendering economic aid to certain qualifying citizens under several different programs. The Animal Control Fund and the School Community Health Fees Fund were eliminated as of June 30, 2003.

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, and services of the City's self-insurance program, provided to other departments or agencies of the City on a cost-reimbursement basis.

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.

(Continued)

(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.

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.

(Continued)

(1) Continued

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

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

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” in the fund statements 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.

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 \$944,407.

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

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

(Continued)

(1) Continued

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, 2002, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rates for 2003 were \$1.28 per \$100 of assessed value for properties serviced by the Chesapeake Mosquito Control Commission and \$1.26 per \$100 of assessed value for properties not serviced by the Chesapeake Mosquito Control Commission.

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, 2003 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rates for 2003 were \$4.08 per \$100 of assessed value for properties serviced by the Mosquito Control Commission and \$4.00 per \$100 of assessed value for properties not serviced by the Mosquito Control Commission.

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. All inventories of governmental funds and proprietary funds are recorded under the consumption method, as expenditures or expenses when consumed, rather than when purchased.

(Continued)

(1) Continued

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

Capital Assets

Capital assets, which include land, 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.

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, 2003.

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

(Continued)

(1) Continued

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.

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.

(Continued)

(1) Continued

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.

(2) Deposits and Investments

Deposits

At year end, the carrying value of the City's pooled deposits with banks and savings and loans was \$35,314,291 and the bank balance was \$40,413,468. Of the bank balance, \$800,000 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, 2003 is \$4,771,093. All deposits are held by financial institutions in the City's name except for \$98,639 of restricted cash, which is being held by the Commonwealth of Virginia.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(2) Continued

Investments

Investments by type at year end are shown below:

	Category			Carrying Amount
	1	2	3	
Pooled investments:				
Corporate notes	\$ 7,307,921	-	-	7,307,921
U.S. Government securities	32,095,511	-	-	32,095,511
Money market deposit	1,298,531	-	-	1,298,531
Commercial paper	12,078,428	-	-	12,078,428
	52,780,391	-	-	52,780,391
Investments not subject to categorization:				
Virginia State Non-Arbitrage Program				93,381,141
Local Government Investment Pool				103,355,978
Full Flex Repurchase Agreement - U.S. Bank Custodian				673,616
Evergreen/U.S. Government Portfolio				366,607
Total pooled investments				250,557,733
Restricted investments:				
Money market deposit	102,164	-	-	102,164
U.S. Government securities	1,576,054	-	-	1,576,054
	1,678,218	-	-	1,678,218
Money market funds				13,815,833
Total restricted investments				15,494,051
Total investments	\$ 54,458,609	-	-	266,051,784

(Continued)

(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 Evergreen Investment Advisors and the Commonwealth Cash Reserve Fund 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 LGIP.

(Continued)

(2) Continued

Amounts Relating to Component Units

The cash and investments of the Public Schools and the Mosquito Control Commission 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 \$2,536,920 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	\$ 35,314,291
Restricted deposits	4,771,093
Investments	266,051,784
Other component units	2,536,920
Total deposits and investments reported above	\$ 308,674,088
Per Schedules A and H:	
Cash and temporary investments	\$ 152,384,745
Cash and temporary investments with trustee	5,736,864
Cash restricted for debt service	1,930,894
Cash restricted for debt service with trustee	3,335,169
Cash with State Set-Aside	98,639
Capital construction:	
Cash and temporary investments	134,102,434
Cash and temporary investments with trustee	11,085,343
Total capital construction	145,187,777
Total cash and temporary investments per Schedules A and H	\$ 308,674,088

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(3) Accounts Receivable and Payable

Accounts receivable in the Statement of Net Assets as of June 30, 2003 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 16,835,161	-
Due from Federal government	1,762,620	-
Due from customers	83,022	8,399,235
Property taxes receivable	7,949,957	-
Interest receivable	456,175	153,379
Other	5,933,123	-
Total accounts receivable	\$ 33,020,058	8,552,614

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2003 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 15,424,409	-	473,615	937,137
Due from Federal government	60,364	-	-	1,702,256
Property taxes receivable	7,949,957	-	-	-
Interest receivable	292,001	120,404	30,309	792
Other	5,707,702	-	7,894	217,527
Total accounts receivable	\$ 29,434,433	120,404	511,818	2,857,712

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2003 are as follows:

	Due From Customers	Interest Receivable
Public Utilities Fund	\$ 6,961,951	79,035
Chesapeake Expressway Fund	155,598	52,878
Stormwater Management Fund	1,271,056	21,466
Other enterprise funds	10,630	-
Internal Service Funds	83,022	12,669
Total accounts receivable	\$ 8,482,257	166,048

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(3) Continued

Accounts payable and accrued expenses in the Statement of Net Assets as of June 30, 2003 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 7,609,988	1,469,547
Accrued expenses, excluding interest	3,644,167	130,024
Construction projects payable	482,425	333,042
Accrued interest	4,374,981	1,462,361
Total accounts payable and accrued expenses	\$ 16,111,561	3,394,974

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2003 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable	Accrued Interest
General Fund	\$ 5,362,066	3,622,590	-	-
Debt Service Fund	124,075	21,577	-	204,793
Capital Projects Fund	-	-	482,425	-
Other governmental funds	1,178,996	-	-	-
Total accounts payable, deposits, and accrued expenditures	\$ 6,665,137	3,644,167	482,425	204,793

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2003 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 1,059,470	32,589	227,247	522,873
Chesapeake Expressway Fund	90,353	10,085	-	1,005,297
Stormwater Management Fund	44,200	13,477	105,795	-
Other enterprise funds	275,524	8,064	-	-
Internal Service Funds	944,851	-	-	-
Total accounts payable, deposits, and accrued expenses	\$ 2,414,398	64,215	333,042	1,528,170

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
Notes to Basic Financial Statements
June 30, 2003

(3) Continued

Property taxes receivable in the General Fund as of June 30, 2003 are as follows:

		Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$	4,554,228	999,840	3,554,388
Personal property		7,807,557	3,411,988	4,395,569
Total property taxes receivable	\$	12,361,785	4,411,828	7,949,957

The total allowance for uncollectible amounts in the General Fund is \$6,594,790, which includes a \$2,182,962 allowance for uncollectible emergency medical service fees.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(4) Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

**Primary government
 Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 247,805,430	3,977,035	-	251,782,465
Construction in progress	49,991,766	13,604,786	(7,622,661)	55,973,891
Total capital assets, not being depreciated	297,797,196	17,581,821	(7,622,661)	307,756,356
Capital assets, being depreciated:				
Buildings	497,924,797	1,441,289	(24,550)	499,341,536
Improvements other than buildings	9,268,412	2,719,594	-	11,988,006
Equipment and vehicles	65,935,907	4,735,244	(3,069,289)	67,601,862
Infrastructure	912,885,075	7,379,166	-	920,264,241
Total capital assets, being depreciated	1,486,014,191	16,275,293	(3,093,839)	1,499,195,645
Less accumulated depreciation for:				
Buildings	(100,602,223)	(10,633,849)	9,610	(111,226,462)
Improvements other than buildings	(3,266,500)	(481,548)	-	(3,748,048)
Equipment and vehicles	(43,924,640)	(4,928,315)	2,782,173	(46,070,782)
Infrastructure	(632,754,761)	(20,463,399)	-	(653,218,160)
Total accumulated depreciation	(780,548,124)	(36,507,111)	2,791,783	(814,263,452)
Total capital assets, being depreciated, net	705,466,067	(20,231,818)	(302,056)	684,932,193
Capital assets, net	\$ 1,003,263,263	(2,649,997)	(7,924,717)	992,688,549

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

General government	\$ 4,864,991
Public safety	220,110
Public works	54,272
Public welfare	72,978
Parks	13,388
Education	6,582,913
Net unallocated portion (depreciation of general infrastructure assets)	20,463,399
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	4,235,060
Total depreciation expense, governmental activities	\$ 36,507,111

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
Notes to Basic Financial Statements
June 30, 2003

(4) Continued

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$20,499,181 includes the unallocated portion of depreciation expense noted above of \$20,463,399 and amortization expense of bond costs of issuance of \$35,782.

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

Functions	Project authorization	Expended to June 30, 2003	Committed	Required Future Financing
General government	\$ 21,350,602	8,423,825	12,926,777	none
Public safety	25,502,697	22,396,847	3,105,850	none
Public works	45,899,014	18,553,676	27,345,338	none
Parks	1,917,106	1,519,454	397,652	none
Public welfare	3,332,525	2,569,524	763,001	none
Education	15,324,489	2,510,565	12,813,924	none
Total	\$ 113,326,433	55,973,891	57,352,542	-

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 16,996,200	87,173	-	17,083,373
Construction in progress	24,983,680	8,029,915	(2,605,740)	30,407,855
Total capital assets, not being depreciated	41,979,880	8,117,088	(2,605,740)	47,491,228
Capital assets, being depreciated:				
Buildings	4,215,589	-	-	4,215,589
Improvements other than buildings	1,238,738	60,339	-	1,299,077
Equipment and vehicles	8,756,658	818,654	(225,317)	9,349,995
Infrastructure	450,035,960	10,295,853	-	460,331,813
Total capital assets, being depreciated	464,246,945	11,174,846	(225,317)	475,196,474
Less accumulated depreciation for:				
Buildings	(163,742)	(105,288)	-	(269,030)
Improvements other than buildings	(264,955)	(34,715)	-	(299,670)
Equipment and vehicles	(3,736,938)	(703,812)	225,317	(4,215,433)
Infrastructure	(91,085,359)	(11,272,273)	-	(102,357,632)
Total accumulated depreciation	(95,250,994)	(12,116,088)	225,317	(107,141,765)
Total capital assets, being depreciated, net	368,995,951	(941,242)	-	368,054,709
Capital assets, net	\$ 410,975,831	7,175,846	(2,605,740)	415,545,937

(Continued)

(4) Continued

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

Public Utilities	\$	7,471,978
Stormwater Management		135,448
Chesapeake Expressway		4,327,857
Northwest River Park		3,684
Jordan Bridge		164,578
Recreation		12,543
<hr/>		
Total depreciation expense, business-type activities	\$	12,116,088

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$81,400,000 at June 30, 2003. 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(4) Continued

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 5,487,017	67,677	-	5,554,694
Construction in progress	20,750,703	6,028,995	(1,422,635)	25,357,063
Total capital assets, not being depreciated	26,237,720	6,096,672	(1,422,635)	30,911,757
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	1,164,945	60,339	-	1,225,284
Equipment and vehicles	3,230,505	456,245	(214,282)	3,472,468
Infrastructure	363,528,236	9,097,184	-	372,625,420
Total capital assets, being depreciated	367,997,284	9,613,768	(214,282)	377,396,770
Less accumulated depreciation for:				
Buildings	(15,865)	(2,496)	-	(18,361)
Improvements other than buildings	(264,484)	(29,065)	-	(293,549)
Equipment and vehicles	(2,597,143)	(154,827)	214,282	(2,537,688)
Infrastructure	(83,892,071)	(7,285,590)	-	(91,177,661)
Total accumulated depreciation	(86,769,563)	(7,471,978)	214,282	(94,027,259)
Total capital assets, being depreciated, net	281,227,721	2,141,790	-	283,369,511
Capital assets, net	\$ 307,465,441	8,238,462	(1,422,635)	314,281,268

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(4) Continued

Chesapeake Expressway Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,985,500	19,496	-	11,004,996
Construction in progress	13,860	79,238	(93,098)	-
Total capital assets, not being depreciated	10,999,360	98,734	(93,098)	11,004,996
Capital assets, being depreciated:				
Buildings	4,111,545	-	-	4,111,545
Equipment and vehicles	4,978,369	74,030	-	5,052,399
Infrastructure	77,599,625	111,711	-	77,711,336
Total capital assets, being depreciated	86,689,539	185,741	-	86,875,280
Less accumulated depreciation for:				
Buildings	(137,055)	(102,792)	-	(239,847)
Equipment and vehicles	(658,760)	(515,578)	-	(1,174,338)
Infrastructure	(4,379,077)	(3,709,487)	-	(8,088,564)
Total accumulated depreciation	(5,174,892)	(4,327,857)	-	(9,502,749)
Total capital assets, being depreciated, net	81,514,647	(4,142,116)	-	77,372,531
Capital assets, net	\$ 92,514,007	(4,043,382)	(93,098)	88,377,527

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(4) Continued

Stormwater Management Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 139,989	-	-	139,989
Construction in progress	4,219,117	1,921,682	(1,090,007)	5,050,792
Total capital assets, not being depreciated	4,359,106	1,921,682	(1,090,007)	5,190,781
Capital assets, being depreciated:				
Equipment and vehicles	253,111	25,340	-	278,451
Infrastructure	3,920,709	1,086,958	-	5,007,667
Total capital assets, being depreciated	4,173,820	1,112,298	-	5,286,118
Less accumulated depreciation for:				
Equipment and vehicles	(195,054)	(20,864)	-	(215,918)
Infrastructure	(94,797)	(114,584)	-	(209,381)
Total accumulated depreciation	(289,851)	(135,448)	-	(425,299)
Total capital assets, being depreciated, net	3,883,969	976,850	-	4,860,819
Capital assets, net	\$ 8,243,075	2,898,532	(1,090,007)	10,051,600

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(4) Continued

Discretely presented component unit - Public Schools:

	Beginning Balances	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	12,119,339	-	28,693,091
Total capital assets, not being depreciated	30,528,035	12,119,339	-	42,647,374
Capital assets, being depreciated:				
Buildings and building improvements	4,649,301	-	-	4,649,301
Improvements other than buildings	2,433,648	-	-	2,433,648
Furniture, equipment, vehicles, and textbooks	44,731,877	4,520,747	4,292,279	44,960,345
Total capital assets, being depreciated	51,814,826	4,520,747	4,292,279	52,043,294
Less accumulated depreciation for:				
Buildings and building improvements	(4,629,815)	(2,051)	-	(4,631,866)
Improvements other than buildings	(1,575,231)	(119,399)	-	(1,694,630)
Furniture, equipment, vehicles, and textbooks	(25,625,328)	(4,641,565)	4,212,609	(26,054,284)
Total accumulated depreciation	(31,830,374)	(4,763,015)	4,212,609	(32,380,780)
Total capital assets, being depreciated, net	19,984,452	(242,268)	79,670	19,662,514
Capital assets, net	\$ 50,512,487	11,877,071	79,670	62,309,888

Depreciation expense of \$4,763,015 was charged to the Public Schools' governmental functions.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
Notes to Basic Financial Statements
June 30, 2003

(5) Deferred Revenues

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

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 4,884,794	-	-
Personal Property Tax Relief Act	4,761,824	-	-
Emergency medical service fees	259,807	-	-
Stormwater management fees	-	-	2,227,708
Other	355,935	168,528	42,271
Total deferred revenues	\$ 10,262,360	168,528	2,269,979

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2003 follows:

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 373,538,133	102,825,000	(101,281,360)	375,081,773	22,932,773
Deferred amounts:					
Add bond premiums	3,430,740	8,219,994	(400,444)	11,250,290	895,990
Refunding costs	(3,135,350)	(8,449,965)	489,573	(11,095,742)	(1,017,699)
Total bonds payable	373,833,523	102,595,029	(101,192,231)	375,236,321	22,811,064
Other long-term obligations:					
Net pension obligation	1,690,144	11,364,555	(11,409,715)	1,644,984	-
Certificates of participation	7,630,000	-	(1,760,000)	5,870,000	1,855,000
Notes payable	2,011,526	465,320	(2,283,781)	193,065	71,216
Arbitrage	415,578	-	(184,325)	231,253	106,361
Compensated absences	12,534,121	11,070,204	(10,924,184)	12,680,141	5,908,946
Literary loans	7,475,327	-	(649,493)	6,825,834	549,493
Capital leases	14,360,942	1,472,017	(2,647,114)	13,185,845	2,948,330
Capital leases to component unit	42,780,000	-	(2,270,000)	40,510,000	2,385,000
Supplemental Payments Agreements	28,580,000	-	(860,000)	27,720,000	900,000
Liability for self-insurance losses	14,333,000	5,818,904	(3,519,962)	16,631,942	3,326,388
Section 108 loan payable	2,225,000	-	(215,000)	2,010,000	230,000
Total long-term obligations	\$ 507,869,161	132,786,029	(137,915,805)	502,739,385	41,091,798

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
Notes to Basic Financial Statements
June 30, 2003

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2003 follows:

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 76,426,363	64,685,000	(2,911,246)	138,200,117	4,372,794
Revenue bonds	18,650,000	-	(10,885,000)	7,765,000	275,000
	95,076,363	64,685,000	(13,796,246)	145,965,117	4,647,794
Deferred amounts:					
Plus bond premium	-	3,092,571	-	3,092,571	103,086
Less bond discounts	(20,653)	-	2,581	(18,072)	(2,581)
Less refunding costs	(660,770)	(388,078)	82,597	(966,251)	(98,712)
Total bonds payable	94,394,940	67,389,493	(13,711,068)	148,073,365	4,649,587
Notes payable	3,449	808,075	(3,449)	808,075	118,075
Arbitrage	39,360	-	(1,785)	37,575	-
Compensated absences	671,982	662,746	(687,350)	647,378	301,678
	95,109,731	68,860,314	(14,403,652)	149,566,393	5,069,340
Chesapeake Expressway:					
Revenue bonds	21,630,000	-	-	21,630,000	-
Less bond discounts	(282,973)	-	10,481	(272,492)	(10,481)
Total bonds payable	21,347,027	-	10,481	21,357,508	(10,481)
Due to Commonwealth of Virginia	71,281,187	75,554	(908,947)	70,447,794	391,541
Arbitrage	13,860	-	(13,860)	-	-
Compensated absences	51,191	43,931	(47,391)	47,731	22,243
	92,693,265	119,485	(959,717)	91,853,033	403,303
Stormwater Management:					
Compensated absences	68,665	75,260	(76,827)	67,098	31,269
Nonmajor business-type activities:					
Compensated absences	66,582	35,339	(42,610)	59,311	27,650
Total long-term obligations	\$ 187,938,243	69,090,398	(15,482,806)	241,545,835	5,531,562

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
Notes to Basic Financial Statements
June 30, 2003

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2003 follows:

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003	Due Within One Year
Early retirement plan	\$ 4,055,030	–	(953,111)	3,101,919	737,359
Compensated absences	18,497,696	3,779,141	(1,005,179)	21,271,658	785,000
Net pension obligation	94,367	–	(62)	94,305	–
Notes payable	477,025	–	(477,025)	–	–
Liability for self-insurance losses	295,538	3,939,883	(3,590,859)	644,562	644,562
Capital leases	3,692,530	2,300,000	(1,925,855)	4,066,675	1,632,596
Total long-term obligations	\$ 27,112,186	10,019,024	(7,952,091)	29,179,119	3,799,517

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements

June 30, 2003

(6) Continued

(b) Outstanding bonds and loans at June 30, 2003 are comprised of the following issues

	Remaining Interest Rates	Amount Outstanding
Governmental activities - General Obligation bonds		
1993 Public Improvement Refunding bonds	5.00% - 5.50%	\$ 29,149,883
1993A Public Improvement bonds	5.10% - 5.20%	1,100,000
1994 Public Improvement bonds	5.00% - 7.00%	7,850,000
1994A School bonds	6.10% - 6.60%	5,119,250
1995 Public Improvement bonds	5.00% - 6.75%	35,970,000
1995 School bonds	5.40% - 5.63%	18,000,000
1996 Public Improvement bonds	5.00% - 6.50%	45,500,000
1996A School bonds	5.10% - 6.10%	8,320,000
1997A School bonds	5.10% - 6.10%	12,825,000
1998 Public Improvement bonds	4.20% - 5.00%	18,535,000
1998A School bonds	4.35% - 5.10%	6,560,000
1999A School bonds	5.10% - 6.10%	8,500,000
2000A School bonds	5.10% - 5.60%	7,535,000
2001A School bonds	4.85% - 5.60%	6,600,000
2001 B School bonds	3.10% - 5.35%	1,657,640
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
2002B School bonds	2.35% - 4.35%	5,775,000
2003 School Refunding bonds	2.50% - 5.25%	82,210,000
2003A School bonds	3.60% - 5.60%	2,260,000
2003A Public Improvement bonds	2.00% - 4.20%	12,580,000
		375,081,773
Add unamortized bond premiums		11,250,290
Less deferred refunding costs		(11,095,742)
Total general obligation bonds, governmental activities		\$ 375,236,321
Governmental activities - literary loans		
School literary loans, collateralized by certain school buildings	3.00%	\$ 6,825,834
Business-type activities		
Public Utilities - General Obligation bonds and Revenue bonds:		
1993 Public Improvement Refunding bonds	5.00% - 5.50%	\$ 6,275,117
1994 Water and Sewer Revenue Refunding bonds	4.65% - 5.15%	7,765,000
1995A Water and Sewer bonds	5.00% - 7.00%	60,900,000
2001 Water and Sewer Refunding bonds	3.00% - 4.25%	6,340,000
2003B Water and Sewer bonds	2.00% - 5.00%	55,500,000
2003C Water and Sewer Refunding bonds	2.00% - 3.50%	9,185,000
		145,965,117
Plus unamortized bond premiums		3,092,571
Less unamortized bond discount		(18,072)
Less deferred refunding costs		(966,251)
Total Public Utilities bonds		\$ 148,073,365
Chesapeake Expressway- Revenue bonds:		
1999A Toll Road Revenue bonds	5.63%	\$ 21,630,000
Less unamortized bond discount		(272,492)
Total Chesapeake Expressway bonds		\$ 21,357,508

Schedule K, Continued

Callable	Noncallable	Call Premium
—	29,149,883	—
1,100,000	—	.00% - 2.00%
6,550,000	1,300,000	.25% - 2.00%
—	5,119,250	—
29,970,000	6,000,000	.50% - 2.00%
7,000,000	11,000,000	.00% - 2.00%
35,000,000	10,500,000	.00% - 2.00%
5,355,000	2,965,000	.00% - 3.00%
7,695,000	5,130,000	.00% - 3.00%
13,090,000	5,445,000	.00% - 2.00%
4,100,000	2,460,000	.00% - 2.00%
5,000,000	3,500,000	.00% - 2.00%
5,060,000	2,475,000	.00% - 2.00%
4,270,000	2,330,000	.00% - 2.00%
—	1,657,640	—
1,865,000	395,000	.00%
18,410,000	33,040,000	.00%
3,350,000	1,975,000	.00% - 1.00%
—	5,775,000	—
57,785,000	24,425,000	.00%
740,000	1,520,000	.00% - 1.00%
5,105,000	7,475,000	.00%
211,445,000	163,636,773	
<hr/>		
—	6,825,834	—
<hr/>		
—	6,275,117	—
7,490,000	275,000	.00% - 2.00%
56,400,000	4,500,000	.00% - 2.00%
—	6,340,000	—
44,025,000	11,475,000	.00%
2,460,000	6,725,000	.00%
110,375,000	35,590,117	
<hr/>		
<hr/>		
20,405,000	1,225,000	.00% - 1.00%
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(Continued)

Notes to Basic Financial Statements
June 30, 2003

(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.

	Governmental Activities				Business-Type Activities			
	Bonds		Literary loans		Public Utilities - Bonds		Chesapeake Expressway - Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:								
2004	\$ 22,932,773	19,214,716	549,493	204,775	4,647,794	6,889,423	–	1,216,688
2005	24,107,430	17,992,016	549,493	188,290	4,825,765	6,675,347	–	1,216,687
2006	25,114,135	16,636,510	549,493	171,805	4,797,371	6,455,958	–	1,216,688
2007	26,684,763	15,290,945	549,493	155,321	4,885,573	6,237,245	–	1,216,687
2008	27,136,076	13,879,791	549,493	138,836	4,668,897	6,046,764	385,000	1,205,859
2009-2013	144,248,264	47,751,431	2,481,550	448,105	23,239,717	27,338,541	2,285,000	5,667,891
2014-2018	89,849,429	13,250,426	1,197,749	157,921	26,740,000	21,659,999	3,000,000	4,929,469
2019-2023	14,833,903	1,511,335	399,070	17,958	30,345,000	14,565,113	3,945,000	3,958,453
2024-2028	175,000	4,025	–	–	26,685,000	6,763,394	5,190,000	2,681,719
2029-2033	–	–	–	–	15,130,000	2,342,750	6,825,000	1,001,672
	\$ 375,081,773	145,531,195	6,825,834	1,483,011	145,965,117	104,974,534	21,630,000	24,311,813

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

- (d) In November 2002, the City sold \$5,775,000 general obligation school bonds to the Virginia Public School Authority at a true interest cost of 3.26% with a premium of \$228,476. The bonds were issued to partially fund the construction of an intermediate school.
- (e) In March 2003 the City issued \$82,210,000 of general obligation school refunding bonds with a true interest cost of 3.66% to partially refund the 1995 General Obligation School bonds that were sold to the Virginia Public School Authority. The refunded bonds had interest rates ranging from 5.4% - 5.625%. The net proceeds of \$89,449,965 (after an original issue premium of \$7,677,437 and payment of \$437,472 for underwriting fees and other issuance costs) along with \$1,124,000 held by the City to pay interest on the refunded bonds 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 \$55,627 was received for accrued interest. 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, 2003, \$81,000,000 of the defeased bonds remains outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$8,449,965. 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 \$3,251,060 and a decrease of \$4,082,643 in future debt service payments.

The amounts refunded and earliest call dates are as follows:

	Maturity Date	Principal Amount Refunded	Call Date
1995 School Refunding Bonds	2008-2015	\$ 81,000,000	6/1/2005

- (f) In May 2003, the City sold \$2,260,000 general obligation school bonds to the Virginia Public School Authority at a true interest cost of 4.235% with a premium of \$145,194. These bonds were issued to fund the architectural and engineering costs to construct a new high school.

(Continued)

(6) Continued

- (g) In June 2003, the City issued \$12,580,000 general obligation public improvement bonds at a true interest cost of 3.71% with a premium of \$168,887. Of this premium, \$1,000 was recorded in the Capital Projects Fund with the remaining being recorded in the Debt Service Fund. The bonds were issued to fund completion of a major road construction project, as well as a new fire station.
- (h) In June 2003, the City issued \$55,500,000 general obligation water and sewer bonds at a true interest cost of 4.32% with a premium of \$3,040,109. The bonds were issued to fund the second phase of the Lake Gaston water treatment plant. Revenues from the Public Utilities fund, a business-type activity, have been pledged on a junior lien basis towards payment of principal and interest.
- (i) In June 2003, the City issued \$9,185,000 of general obligation water and sewer refunding bonds with a true interest cost of 3.03% to refund the 1992 Water and Sewer revenue refunding bonds with interest rates ranging from 6.4% - 6.6%. The net proceeds of \$9,156,310 (after an original issue premium of \$52,462 and payment of \$81,152 for underwriting fees and other issuance costs), along with the \$328,700 held by the City to pay interest on the Refunded Bonds and the \$1,130,540 released from the Debt Service Reserve Fund, were used to purchase U.S. securities and were deposited in an irrevocable trust with an escrow agent to provide solely for the payment of the maturities of the Series 1992 bonds. An additional \$12,847 was received for accrued interest. 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, 2003, \$10,185,000 of the defeased bonds were outstanding and were paid off July 1, 2003. The reacquisition price exceeded the net carrying amount of the old debt by \$388,078. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the remaining life of the refunded debt. This current refunding resulted in an economic gain of \$1,926,882 and a net savings of \$2,396,679 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

The amounts refunded and earliest call dates are as follows:

Bond	Maturity Date	Principal Amount Refunded	Call Date
1992 Water and Sewer Revenue Refunding Bonds	2004-2017	\$ 10,185,000	7/1/2003

- (j) In December 2001, the City issued \$51,450,000 of public improvement refunding bonds to advance refund various outstanding issues. The net proceeds 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. 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, 2003, \$23,630,000 of the defeased bonds remains outstanding.
- (k) In December 2001, the City issued \$6,520,000 of general obligation water and sewer refunding bonds to advance refund various 1995A Water and Sewer bonds. The net proceeds 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. 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, 2003, \$5,700,000 of the defeased bonds remains outstanding.
- (l) 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.

(Continued)

(6) Continued

- 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, 2003 amounted to \$70,447,794. Revenues generated from the project were used to make a \$908,947 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.
- (m) 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 \$860,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the year.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2003.

Fiscal year ending June 30:	
2004	\$ 2,326,120
2005	2,331,120
2006	2,328,620
2007	2,328,870
2008	2,326,620
2009-2013	11,644,100
2014-2018	11,646,695
2019-2022	9,309,075
<hr/>	
Total payments	44,241,220
Less amounts representing interest	16,521,220
<hr/>	
	\$ 27,720,000

- (n) In November 1996, the City financed a new Chesapeake Circuit Court building through financing arrangements with 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, 2003, \$19,535,000 was outstanding.
- (o) 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, 2003, \$20,975,000 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 \$7,544,906 have been received to date by the City as of June 30, 2003. The current year reimbursement was \$836,882.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

- (p) 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.

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

Fiscal years:	
2004	\$ 2,172,185
2005	2,173,870
2006	2,173,300
<hr/>	
Total payments	6,519,355
Less amounts representing interest	649,355
<hr/>	
	\$ 5,870,000
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The certificates of participation bear interest at rates from 5.25% 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 \$2,339,920 is maintained by the City with a trustee.

- (q) Notes payable at June 30, 2003 consisted of the following:

Governmental activities	\$ 193,065
Business-type activities - Public Utilities Fund	808,075
<hr/>	
Total notes payable	\$ 1,001,140
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In December 2002, the City entered into a Purchase Agreement with a vendor to upgrade capital equipment. The note in the amount of \$193,065 matures February 1, 2006 and has interest rates ranging from 2.20% - 5.01%.

In April 2003, the City agreed to pay \$808,075 to the City of Norfolk for an under-billing of treated water. The payments, without interest, will be made over seven years, beginning in fiscal year 2004.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

The following table summarizes the City's payment requirements for the notes payable as of June 30, 2003:

	Governmental activities	Business-type Activities - Public Utilities Fund
Fiscal years:		
2004	\$ 75,773	118,075
2005	75,772	115,000
2006	50,515	115,000
2007	-	115,000
2008	-	115,000
2009-2010	-	230,000
Total payments	202,060	808,075
Less amounts representing interest	8,995	-
	\$ 193,065	808,075

- (r) The City, on behalf of the School Board, continues to draw on a Commonwealth of Virginia Literary Fund Subsidy, which was approved in fiscal year 2002 for a total amount of \$241,302. These subsidy funds are being used to partially fund approved school projects and the City is not required to repay the funds. The City drew \$171,085 in Literary Subsidy funds in fiscal year 2003.
- (s) Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as if June 30, 2003 was 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, a long-term liability has been established.

(Continued)

(6) Continued

- (t) 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.
- (u) 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, 2002 was \$26,590,000. 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 \$51,927,381 as of June 30, 2003.

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. 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. This reserve will be increased by \$280,000 with the adoption of the fiscal year 2003-2004 budget.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

(v) In October 1996, the City entered into a Section 108 loan in the amount of \$3,100,000. These funds were used for Community Development and will be repaid in annual installments through August 2011 with remaining interest rates ranging from 6.31% to 6.78%. The following is a schedule of future loan payments as of June 30, 2003:

Fiscal year ending June 30:	
2004	353,368
2005	353,320
2006	352,196
2007	354,819
2008	356,040
2009-2012	745,678
<hr/>	
Total payments	2,515,421
Less amounts representing interest	505,421
<hr/>	
	\$ 2,010,000
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Subsequent to year-end, the City drew an additional \$720,000 against the original \$3,800,000 Section 108 Loan Guarantee authorization, approved by City Council in 1996. This draw will be used for continuing Community Development projects. Interest will be paid quarterly on the unpaid principal balance on the first day of February, May, August and November. The initial interest rate will be equal to 20 basis points (.2 percent) above the applicable three-month London Interbank Offered Rate (LIBOR). Principal payments will be due August 1, 2010 and August 1, 2011 in the amounts of \$330,000 and \$390,000, respectively.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(6) Continued

(w) Computation of Legal Debt Margin

Assessed valuation - real estate		\$ 12,119,195,740
<hr/>		
Legal debt limit - 10% of assessed valuation		\$ 1,211,919,574
Amount of debt applicable to legal debt limit:		
General bonded debt	\$ 549,502,724	
Add:		
Notes payable	1,001,140	
Less:		
Self-supporting debt not chargeable to debt limit	96,635,000	
Amounts available for debt service	22,072,376	
		<hr/>
		431,796,488
Legal debt margin available		<hr/>
		\$ 780,123,086
Percent of:		
Legal debt margin outstanding		35.6%
Legal debt margin available		64.4%
		<hr/>
		100.0%
Summary of assessed valuation:		
Public service real estate	\$ 777,693,522	
Other city real estate	11,341,502,218	
		<hr/>
		\$ 12,119,195,740
<hr/>		

(x) In November 1994, \$76,900,000 of Road Improvement Bonds were authorized by referendum. As of June 30, 2003, \$13,149,800 of these bonds remain unissued.

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

(z) 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 4.80% to 6.25%. At June 30, 2003, \$19,535,000 was outstanding, \$14,230,000 of which is callable.

(Continued)

(6) Continued

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 5.2% to 6.0%. At June 30, 2003, \$20,975,000 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, 2003, \$2,250,000 was outstanding, \$1,650,000 of which is callable.

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

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

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.

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.

(Continued)

(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 \$305,175 on behalf of the Airport Authority during fiscal year 2003. The City does not intend to collect these payments from the Airport Authority.

Component Unit – Chesapeake Port Authority

Advances of \$944,407 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 \$15,033 on behalf of the Port Authority during fiscal year 2003. The City does not intend to collect these payments from the Port Authority.

Component Unit – Industrial Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the IDA in a maximum amount of \$1,500,000. At June 30, 2003, \$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 budgeted and made payments of \$807,186 on behalf of the Authority during fiscal year 2003. 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, 2003 is summarized as follows:

Advances to Airport Authority	\$	622,000
Advance to Port Authority		944,407
Advance to IDA		1,319,095
Total advances to component units		2,885,502
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units		\$ 622,000

(Continued)

(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, 2003 are as follows:

Due From Other Funds	Due To Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	1,376,509
Debt Service Fund	459,000	-
Total interfund balances	\$ 459,000	1,376,509

These interfund balances are a result of both operating transfers and temporary capital project funding. The amount due from the nonmajor governmental funds of \$1,376,509 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 \$587,621.

(Continued)

Notes to Basic Financial Statements
June 30, 2003

(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, 2003 are as follows:

Transfers To Other Funds	Transfers From 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	
General Fund	\$ -	-	-	132,677	-	383,257	-	16,966	63,097	595,997
Debt Service Fund	40,782,913	-	145,307	587,621	-	-	-	-	-	41,515,841
Capital Projects Fund	2,569,529	3,213,637	-	1,131,674	-	-	-	400,000	104,765	7,419,605
Nonmajor governmental funds	12,158,415	-	-	12,784	-	-	-	-	44,246	12,215,445
Internal Service Funds	831,440	-	-	15,000	8,425	29,671	190,740	7,953	-	1,083,229
Total	\$ 56,342,297	3,213,637	145,307	1,879,756	8,425	412,928	190,740	424,919	212,108	62,830,117
Transfer in of general capital assets:										
To internal service funds from existing general capital assets										200,648
Total transfers in										\$ 63,030,765

In the fund financial statements, total transfers in of \$63,030,765 are greater than total transfers out of \$62,830,117 because of the treatment of transfers of capital assets to the internal service funds. During the year, existing capital assets related to governmental funds, with a book value of \$200,648, were transferred to internal service funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal service fund did report a transfer in for the capital resources received.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(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, 2003, the City's capital assets from governmental activities include \$54,665,000 of buildings leased from component units and leased equipment of \$17,856,374. Current year amortization expense for leased assets is \$2,619,000 and is included in depreciation expense. Accumulated amortization expense for these assets is \$7,608,000.

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for governmental activities (including capital leases to component units) as of June 30, 2003 are as follows:

	Capital	Operating
Fiscal years:		
2004	\$ 8,151,519	\$ 374,390
2005	8,148,954	49,440
2006	7,782,335	29,793
2007	6,784,426	-
2008	6,374,792	-
2009-2013	24,086,295	-
2014-2017	10,776,081	-
Total future minimum lease payments	72,104,402	<u>\$ 453,623</u>
Less amounts representing interest	18,408,557	
Present value of minimum capital lease payments	<u>\$ 53,695,845</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, 2003 were \$683,214.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(9) Continued

At June 30, 2003, the Public Schools fixed assets include \$6,311,423 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, 2003 are as follows:

Fiscal years:	
2004	\$ 1,774,769
2005	1,293,732
2006	790,397
2007	489,383
<hr/>	
Total future minimum lease payments	4,348,281
Less amounts representing interest	281,606
<hr/>	
Present value of minimum capital lease payments	\$ 4,066,675

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(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, 2003 were both 10% 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
2003	\$ 14,336,236	14,336,236	100%
2002	12,896,150	12,896,150	100%
2001	17,772,034	17,772,034	100%

Annual Pension Cost

For the year ended June 30, 2003, the City's and Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 11,409,715	1,526,223
Interest on net pension obligation	135,211	7,549
Adjustment to annual required contribution	(180,371)	(7,612)
Annual pension cost	11,364,555	1,526,160
Less contributions made	11,409,715	1,526,222
Decrease in net pension obligation	(45,160)	(62)
Net pension obligation at June 30, 2002	1,690,144	94,367
Net pension obligation at June 30, 2003	\$ 1,644,984	94,305

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(10) Continued

The required contributions were determined as part of the June 30, 2001 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, 2003	11,364,555	100.4%	1,644,984	1,526,160	100.0%	94,305
June 30, 2002	12,528,081	100.4%	1,690,144	1,622,620	100.0%	94,367
June 30, 2001	11,160,106	99.7%	1,736,545	1,609,687	100.0%	92,533

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 \$953,111 were made by the Public Schools during the year, resulting in a remaining liability of \$3,101,919 reflected in the component unit Public Schools' long-term liability as of June 30, 2003.

(Continued)

Notes to Basic Financial Statements
June 30, 2003

(11) Reserved Fund Balances

Primary Government

The reserved fund balances in the fund financial statements at June 30, 2003 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED FOR:					
Expendable:					
Advances to other funds	\$ 297,854	-	-	-	297,854
Advances to component units	232,000	-	-	-	232,000
Reserve for debt service	-	2,339,920	-	-	2,339,920
Chesapeake Airport Authority	-	390,000	-	-	390,000
Law library	55,196	-	-	-	55,196
Oak Grove Connector construction	98,639	-	7,034	-	105,673
Radio system	1,855,929	-	96,961	-	1,952,890
Future years spending	222,685	-	-	-	222,685
City Courts construction	-	-	4,789,429	-	4,789,429
City Jail construction	-	-	3,518,472	-	3,518,472
Drainage projects	-	-	1,624,454	-	1,624,454
Recreational facilities	-	-	583,830	-	583,830
Arbitrage rebate	-	231,253	-	-	231,253
Encumbrances	2,471,177	-	6,335,744	1,046,667	9,853,588
Nonexpendable:					
Nonexpendable fund corpus	-	-	-	12,795	12,795
	\$ 5,233,480	2,961,173	16,955,924	1,059,462	26,210,039

(Continued)

(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, 2003.

(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, 2003, 191 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, 2003 were \$893,147.

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, 2003, 65 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, 2003 were \$118,422.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(14) Commitments

Capital Improvements Program

The City Council adopted a five-year capital improvements program on May 13, 2003, the total estimated cost of which amounted to \$208,925,920 to be funded from anticipated state and federal funds, local fees and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date. A summary of the sources of funds for the amended capital budget follows:

Other local sources	\$	3,469,175
General fund transfer		255,863
Anticipated federal and state funds		139,373,920
Open space ordinance fees		123,980
Developer's fees		25,000
Stormwater management fees		7,175,274
Anticipated funds from completed projects		420,245
General Fund - fund balance		8,348,000
General Fund - designated reserves		222,684
Capital Projects Fund - fund balance		1,162,014
Public Utilities		4,441,000
Funds on hand previously appropriated		43,908,765
	\$	208,925,920

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, 2003, the City has incurred cumulative costs of \$24,789,713 related to the design and construction of the pipeline, with \$51,744 relating to fiscal year 2003. These costs are capitalized in the Public Utilities Fund.

(Continued)

(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, 2003 is \$4,620,000. Therefore, the City's remaining allocable portion as of June 30, 2003 is \$1,062,600. 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, 2003.

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 \$1,062,600 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.

(Continued)

(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) \$750,000 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 \$16,631,942 reported in the Self-Insurance Fund at June 30, 2003 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Notes to Basic Financial Statements
 June 30, 2003

(15) Continued

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2003 and 2002 (discounted at 14.6% and 15.9%, respectively) were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2002-2003	\$ 14,333,000	5,818,904	3,519,962	16,631,942
2001-2002	\$ 13,348,000	4,539,143	3,554,143	14,333,000

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, 2003 is \$644,562.

Changes in the Public Schools' liability for self-insurance losses amount during the fiscal years ended June 30, 2003 and 2002 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2002-2003	\$ 295,538	3,939,883	3,590,859	644,562
2001-2002	\$ 601,351	3,394,625	3,700,438	295,538

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.

(Continued)

(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). THMs are naturally occurring disinfection by-products found in most treated surface water supplies and are regulated, through the Safe Drinking Water Act (SDWA), by the EPA and those states granted primacy under the SDWA. Virginia has been granted primacy under the SDWA and regulates THMs and other SDWA constituents through the Virginia Department of Health regulations. The Virginia Department of Health maintains that the City has never exceeded any applicable regulatory limit for 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.

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 denies all of the claims. 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 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. 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.

(Continued)

(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' counsel 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 case.

On February 26, 2003, the judge heard evidence to determine whether the four remaining fraud claims could proceed under the two-year statute of limitations. After hearing evidence and argument from both sides, the judge asked each party to submit briefs on the issue of the accrual date for the fraud claims. The accrual date is the date on which the two-year statute of limitations begins to run. A hearing took place on May 6, 2003, whereby the judge heard additional arguments on the accrual date issue. Subsequently, the judge ruled orally that he would send the accrual date issue to a jury to decide. The City is currently drafting an order encompassing all of the judge's rulings to date. Once the order is entered, the City will be in a position to request permission from the court to appeal any or all of the court's rulings to date, and the City's legal defense team is currently considering which rulings to appeal. Favorable rulings from the Virginia Supreme Court could result in most or all of the claims being barred by either the statute of limitations or sovereign immunity. All of the final rulings in the present case could be applied to or be persuasive in the remaining cases not currently set for trial. 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.

(Continued)

(15) Continued

The U.S. Department of Justice – Office of the Inspector General has completed an audit report on the City’s Community Oriented Policing Services Grants. The recommendations proposed in the report are currently under review by the Office of Community Oriented Policing Services. The City believes that once resolution is reached, the City will be in compliance with grant guidelines.

(16) Subsequent Event – Hurricane Isabel

In September 2003 the City incurred significant impact from the effects of Hurricane Isabel. City Council approved an emergency appropriation in October 2003 of \$16,926,148 for the federal anticipated share of the City’s clean-up and restoration efforts. The total cost of the City’s emergency preparation and recovery efforts are still being evaluated.

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Required Supplementary Information Other Than MD&A



CITY OF CHESAPEAKE, VIRGINIA

Schedule L-1

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2003

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
REVENUES				
General property taxes	\$ 187,408,000	187,408,000	187,609,314	201,314
Other local taxes	88,854,700	90,834,917	93,061,025	2,226,108
Licenses, permits, and fees	1,848,700	1,848,700	1,830,338	(18,362)
Intergovernmental revenues:				
Commonwealth of Virginia	68,006,300	67,992,970	69,229,589	1,236,619
Federal government	60,000	88,793	349,674	260,881
Recovered costs	3,931,950	4,111,950	4,210,523	98,573
Investment income	1,500,000	1,502,610	553,303	(949,307)
Revenues from use of property	212,900	212,900	224,650	11,750
Charges for services	7,386,600	7,386,600	7,023,103	(363,497)
Fines and forfeitures	2,230,700	2,230,700	2,416,446	185,746
Miscellaneous local revenues	74,900	74,900	113,401	38,501
Total revenues	361,514,750	363,693,040	366,621,366	2,928,326
EXPENDITURES				
Current:				
General government	77,939,531	77,779,250	74,413,468	3,365,782
Public safety	62,366,320	63,350,582	62,276,961	1,073,621
Public works	39,689,744	39,188,666	38,551,088	637,578
Parks	8,687,565	8,737,092	7,823,229	913,863
Debt service	2,329,120	2,329,120	2,330,362	(1,242)
Total expenditures	191,012,280	191,384,710	185,395,108	5,989,602
Excess of revenues over expenditures	170,502,470	172,308,330	181,226,258	8,917,928
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,010,102	130,000	595,997	465,997
Transfers from component units	-	-	264,127	264,127
Transfers from component unit - cash reversion	-	-	379,889	379,889
Transfers to other funds	(56,569,711)	(56,184,388)	(56,342,297)	(157,909)
Transfers to component units	(120,151,775)	(121,643,526)	(121,643,526)	-
Total other financing sources (uses)	(175,711,384)	(177,697,914)	(176,745,810)	952,104
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,208,914)	(5,389,584)	4,480,448	9,870,032
Fund balances - beginning	57,964,273	57,964,273	57,964,273	-
Fund balances - ending	\$ 52,755,359	52,574,689	62,444,721	9,870,032

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedules of Funding Progress - Virginia Retirement System (unaudited)
Year Ended June 30, 2003

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 20, 2002	\$340,608,133	365,260,331	24,652,198	93.25%	\$114,813,210	21.47%
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%)

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 20, 2002	\$39,362,090	40,119,837	757,747	98.11%	\$14,038,774	5.40%
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%)

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2003

(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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2003

(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.

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 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, 2003

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 141,600,000	141,735,490	135,490
Current taxes on public service corporations	10,485,000	9,779,609	(705,391)
Current taxes on personal property	23,340,000	23,676,337	336,337
Delinquent taxes on real property	2,130,000	2,487,227	357,227
Delinquent taxes on personal property	8,003,000	7,519,941	(483,059)
Penalties, interest, and advertising	1,850,000	2,410,710	560,710
Total general property taxes	187,408,000	187,609,314	201,314
Other local taxes			
Local sales and use taxes	25,550,000	26,452,698	902,698
Consumer utility taxes	18,100,000	17,200,898	(899,102)
Consumer telephone taxes E-911	3,319,737	2,961,225	(358,512)
Business license taxes	17,900,000	17,532,069	(367,931)
Local consumption tax	685,000	767,969	82,969
Franchise license taxes	1,880,000	1,785,867	(94,133)
Motor vehicle license	4,150,000	4,094,224	(55,776)
Bank stock taxes	750,000	730,214	(19,786)
Taxes on recordation and wills	1,362,200	1,485,452	123,252
Tobacco taxes	3,060,480	4,795,651	1,735,171
Hotel and motel room taxes	1,700,000	1,849,578	149,578
Restaurant food taxes	11,800,000	12,491,078	691,078
Admission taxes	300,000	574,769	274,769
Short-term rental taxes	147,500	194,516	47,016
Pari-mutuel wagering pool tax	130,000	144,817	14,817
Total other local taxes	90,834,917	93,061,025	2,226,108
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	100	36	(64)
Building structure and equipment permits	816,000	812,573	(3,427)
Precious metals and gems permits	2,200	3,010	810
Highway and driveway permits	43,500	32,790	(10,710)
Transfer fees	7,400	6,671	(729)
Zoning inspection fees	30,700	29,145	(1,555)
Building inspection fees	56,700	77,304	20,604
Electrical inspection fees	277,700	258,342	(19,358)
Elevator inspection fees	16,000	27,000	11,000
Plumbing inspection fees	186,000	183,421	(2,579)
Mechanical permits	240,000	197,882	(42,118)
Subdivision review fees	104,200	124,962	20,762
Solicitors permits	200	40	(160)
Taxi operators licenses	500	446	(54)
Inspection fees - gas appliances	52,000	57,791	5,791
Rental inspection fees	15,500	18,925	3,425
Total licenses, permits, and fees	1,848,700	1,830,338	(18,362)
Fines and forfeitures	2,230,700	2,416,446	185,746
Investment income	1,502,610	553,303	(949,307)
Revenues from use of property:			
Rental of general property	160,500	154,665	(5,835)
Rental of recreation facilities	43,400	59,725	16,325
Library rental revenue	9,000	10,260	1,260
Total revenues from use of property	212,900	224,650	11,750

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Charges for services:			
Special court costs	\$ 103,900	98,424	(5,476)
Law library fees	115,000	98,203	(16,797)
Accident report fees	32,000	25,765	(6,235)
Municipal court fees	28,600	38,000	9,400
Civil penalties	-	125	125
Non-support fees	32,800	40,822	8,022
Commonwealth's Attorney fees	6,600	7,212	612
Police escort fees	2,500	3,450	950
Sale of service - police	-	95,359	95,359
Fire report fees	-	20	20
Sheriff fees	22,860	22,861	1
Inmate medical fees	21,640	38,191	16,551
Sale of service - jail	1,186,300	1,058,572	(127,728)
Sale of service - jail inmates	190,300	210,493	20,193
Inmate phone system - jail	189,300	214,569	25,269
Sale of service - sheriff	488,400	214,568	(273,832)
Sale of service - public works	141,500	258,291	116,791
Engineering and administrative costs	936,000	889,096	(46,904)
Recreation franchise fees	83,100	83,110	10
Vending machine commissions	9,900	5,956	(3,944)
Telephone commissions	1,200	603	(597)
Library fines and fees	201,000	203,997	2,997
Lot processing fees	144,000	88,800	(55,200)
Apartment processing fees	48,000	48,765	765
Sale of service - planning	1,400	9,019	7,619
Sale of service - public information	1,300	2,352	1,052
Sale of publications	6,000	3,548	(2,452)
Returned check fees	13,000	14,171	1,171
Custodian service	102,100	81,736	(20,364)
Wage assignment fees	10,000	9,106	(894)
Sale of service - assessor	7,400	7,208	(192)
Adult Clinic fees	21,000	13,879	(7,121)
Lost book fees	18,700	16,576	(2,124)
Emergency medical service fees	2,311,000	2,237,290	(73,710)
Administration collected fees	167,000	203,456	36,456
Rent of showmobile	2,900	4,765	1,865
Library nonresident cards	11,300	13,660	2,360
Wetland Board Civil fees	-	2,034	2,034
Sale of service - Commissioner of Revenue	2,000	1,680	(320)
Subdivision inspection fees	455,000	371,307	(83,693)
Library copies	17,000	25,674	8,674
Sale of service - capital improvement budget support	252,100	259,390	7,290
Sale of service - sponsorship	2,500	1,000	(1,500)
Total charges for services	7,386,600	7,023,103	(363,497)
Miscellaneous local revenues			
Payments in lieu of taxes from other agencies	2,000	3,447	1,447
Sale of personal property	-	38,063	38,063
Sale of real property	1,100	5,400	4,300
Sale of ARC - public works	35,800	42,575	6,775

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues, continued			
Public Works claims reimbursement	\$ 36,000	19,331	(16,669)
Primary fees	-	50	50
Sale of junk and salvage	-	4,535	4,535
Total miscellaneous local revenues	74,900	113,401	38,501
Recovered costs:			
Juvenile Detention Home	3,843,450	3,794,661	(48,789)
Insurance claims and collections	-	120	120
Other recoveries and rebates	210,000	361,008	151,008
Virginia Juvenile Commonwealth Crime Control	56,500	54,548	(1,952)
Recoveries - jury	2,000	186	(1,814)
Total recovered costs	4,111,950	4,210,523	98,573
Total revenues from local sources	295,611,277	297,042,103	1,430,826
Revenue from the Commonwealth			
Noncategorical aid:			
ABC profits	125,949	241,015	115,066
Wine taxes	273,000	223,164	(49,836)
Motor vehicle carrier taxes	135,900	141,703	5,803
Mobile home titling taxes	55,250	30,648	(24,602)
Police	6,264,740	6,283,184	18,444
Daily rental taxes - auto	510,000	592,672	82,672
Drug enforcement state assets	36,448	75,927	39,479
Deed taxes	516,000	459,187	(56,813)
Personal Property Tax Relief	18,000,000	18,805,774	805,774
Delinquent Personal Property Tax Relief	5,400,000	6,730,771	1,330,771
Total noncategorical aid	31,317,287	33,584,045	2,266,758
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	913,998	927,372	13,374
Sheriff	7,464,900	7,287,403	(177,497)
Commissioner of the Revenue	339,025	338,689	(336)
Treasurer	396,196	395,053	(1,143)
Medical Examiner	1,900	1,800	(100)
Registrar/Electoral Board	66,800	58,862	(7,938)
Agriculture	51,900	51,885	(15)
Jail project reimbursement - state	614,400	614,400	-
Total shared expenses	9,849,119	9,675,464	(173,655)
Other categorical aid:			
Juvenile Detention Home	2,334,249	2,297,961	(36,288)
Local jail	1,746,868	1,558,907	(187,961)
Street and highway maintenance	19,619,900	19,626,419	6,519
Library	227,970	228,072	102
Health	107,700	36,084	(71,616)
Excess fees	395,200	615,198	219,998
Emergency Medical Service state vehicle registration	80,100	77,725	(2,375)
Other state grants	1,178,177	215,844	(962,333)
Transportation improvement set-aside	1,049,300	843,800	(205,500)

(Continued)

General Fund
 Schedule of Revenues and Other Sources -
 Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid, continued:			
Reimbursement for emergency expense	\$ -	61,562	61,562
Wireless E-911	87,100	408,508	321,408
Total other categorical aid	26,826,564	25,970,080	(856,484)
Total categorical aid	36,675,683	35,645,544	(1,030,139)
Total revenues from the Commonwealth	67,992,970	69,229,589	1,236,619
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	60,000	60,364	364
Categorical aid:			
Other federal grants	-	5,000	5,000
Drug Enforcement Agency	28,793	91,636	62,843
Emergency reimbursement - federal	-	192,674	192,674
Total revenues from the Federal Government	88,793	349,674	260,881
Total revenues	363,693,040	366,621,366	2,928,326
OTHER FINANCING SOURCES			
Transfer from component unit - cash reversion	-	379,889	379,889
Transfer from component unit	-	264,127	264,127
Transfers from other funds	130,000	595,997	465,997
Total other financing sources	130,000	1,240,013	1,110,013
Total revenues and other financing sources	\$ 363,823,040	367,861,379	4,038,339

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances, and Other Uses -
 Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
General government:							
Legislative Department - City Council	\$ 995,116	970,557	—	970,557	24,559	2,367	22,192
Executive Department:							
City Manager	1,315,547	1,149,401	—	1,149,401	166,146	14,014	152,132
Intergovernmental Affairs	343,901	337,813	—	337,813	6,088	—	6,088
Public Information Office	1,071,749	985,516	—	985,516	86,233	10,990	75,243
Contingencies	803,033	—	—	—	803,033	48,260	754,773
Environmental emergencies	50,159	—	—	—	50,159	—	50,159
Department of Law - City Attorney	1,302,480	1,264,829	—	1,264,829	37,651	1,910	35,741
Department of Finance:							
Commissioner of Revenue	2,498,431	2,455,190	—	2,455,190	43,241	16,107	27,134
Real Estate Assessor	2,113,201	1,966,349	—	1,966,349	146,852	933	145,919
Board of Equalization	3,735	1,855	—	1,855	1,880	—	1,880
City Treasurer	2,728,406	2,505,171	—	2,505,171	223,235	24,585	198,650
Sale of city auto licenses	81,139	79,511	—	79,511	1,628	—	1,628
Director of Finance	2,281,853	2,135,868	—	2,135,868	145,985	21,967	124,018
Economic Development	1,268,185	1,264,854	—	1,264,854	3,331	9,657	(6,326)
Development services	58,507	—	—	—	58,507	17,500	41,007
Budget Director	586,340	481,768	—	481,768	104,572	4,083	100,489
Audit Services	401,147	393,929	—	393,929	7,218	—	7,218
Purchasing	728,756	704,194	—	704,194	24,562	14,475	10,087
Independent auditors	94,500	102,199	—	102,199	(7,699)	—	(7,699)
Cash Management System - Treasurer	123,592	75,249	—	75,249	48,343	—	48,343
Retirement system and employee benefits	1,226	1,226	—	1,226	—	—	—
Department of Human Resources:							
Human Resources	1,704,162	1,650,113	6,079	1,656,192	47,970	13,664	34,306
HIPAA	155,794	42,465	—	42,465	113,329	84,564	28,765
Judicial Department:							
Circuit Court	505,566	430,437	—	430,437	75,129	—	75,129
Magistrates office	10,168	7,115	—	7,115	3,053	430	2,623
General District Court	2,279,110	2,269,336	—	2,269,336	9,774	—	9,774
Juvenile and Domestic Relations Court	833,434	812,963	—	812,963	20,471	—	20,471
Court Services Unit	383,640	206,782	—	206,782	176,858	—	176,858
Commonwealth's Attorney	1,938,381	1,891,679	7,394	1,899,073	39,308	32,254	7,054
Circuit Court Clerk	675,365	643,104	—	643,104	32,261	2,811	29,450
Sheriff	24,391,383	24,152,211	41,598	24,193,809	197,574	86,276	111,298

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Uses -
 Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
General government, continued:							
Judicial Department, continued:							
Juvenile Detention Home	\$ 6,081,233	6,259,612	—	6,259,612	(178,379)	566	(178,945)
Law Library	138,657	124,412	—	124,412	14,245	—	14,245
Chesapeake Volunteer Services	278,257	267,996	—	267,996	10,261	—	10,261
Virginia Juvenile Community Crime Control	54,713	54,548	—	54,548	165	—	165
Department of Public Health:							
Adult clinics	642,235	654,400	—	654,400	(12,165)	106	(12,271)
General clinics	1,297,087	1,237,274	—	1,237,274	59,813	—	59,813
OSHA services	318,072	314,844	—	314,844	3,228	2,873	355
Department of Recreation:							
Recreation programs	2,038,547	1,986,971	—	1,986,971	51,576	430	51,146
Northwest River Park	395,273	388,959	—	388,959	6,314	1,030	5,284
Senior citizens program	212,052	196,103	—	196,103	15,949	5,497	10,452
Department of Public Library:							
Public library	5,690,643	5,412,091	—	5,412,091	278,552	104,255	174,297
Records management	33,835	32,814	—	32,814	1,021	—	1,021
Public library state aid	247,500	239,223	—	239,223	8,277	344	7,933
Boards and Commissions:							
Planning Department	1,529,712	1,508,424	—	1,508,424	21,288	2,770	18,518
Planning Commission	53,746	53,923	—	53,923	(177)	—	(177)
Electoral Board	546,074	412,217	—	412,217	133,857	17,918	115,939
Electoral workers	85,700	35,062	—	35,062	50,638	—	50,638
Department of Agriculture	383,275	340,157	—	340,157	43,118	—	43,118
Nondepartmental:							
Support of civic and community organizations	5,565,916	5,410,980	—	5,410,980	154,936	92,121	62,815
Chesapeake Regional Airport	305,175	305,175	—	305,175	—	—	—
Debt service	2,329,120	2,330,362	—	2,330,362	(1,242)	—	(1,242)
Special programs	153,542	141,528	—	141,528	12,014	5,000	7,014
Total general government	80,108,370	76,688,759	55,071	76,743,830	3,364,540	639,757	2,724,783
Public safety:							
Police Department	27,078,433	26,494,243	8,591	26,502,834	575,599	546,814	28,785
Wireless E-911 Service Board	414,401	188,507	220,000	408,507	5,894	3,451	2,443

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Uses -
 Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
Public safety, continued:							
E-911 operations	\$ 2,871,996	2,803,464	20,022	2,823,486	48,510	12,927	35,583
Public safety training	437,634	433,297	-	433,297	4,337	3,473	864
Fire department	23,578,783	23,733,214	-	23,733,214	(154,431)	12,778	(167,209)
Fire programs - state	322,948	243,461	30,789	274,250	48,698	48,698	-
Fire Prevention Bureau	1,009,970	921,589	-	921,589	88,381	146	88,235
Fire training	291,771	370,210	-	370,210	(78,439)	146	(78,585)
Fire - environmental compliance	273,716	24,451	-	24,451	249,265	249,265	-
Emergency Medical Services	4,196,830	4,040,349	13,239	4,053,588	143,242	18,340	124,902
Inspections	2,248,059	2,132,862	-	2,132,862	115,197	1,290	113,907
Office of Zoning Administration	443,611	432,274	-	432,274	11,337	-	11,337
EMS vehicle registration	32,541	30,983	-	30,983	1,558	-	1,558
Emergency management operations	149,889	135,416	-	135,416	14,473	-	14,473
Total public safety	63,350,582	61,984,320	292,641	62,276,961	1,073,621	897,328	176,293
Public works:							
Engineering and administration	10,440,546	10,260,570	-	10,260,570	179,976	134,898	45,078
Traffic engineering	1,603,883	1,532,220	-	1,532,220	71,663	70,008	1,655
Street maintenance	9,161,329	6,859,816	2,021,807	8,881,623	279,706	254,466	25,240
Bridges and structures	1,813,529	1,804,432	-	1,804,432	9,097	7,417	1,680
Bureau of Drainage	1,636,344	1,573,223	-	1,573,223	63,121	36,175	26,946
Street cleaning	417,088	409,547	-	409,547	7,541	-	7,541
Solid waste collection	14,115,947	14,089,473	-	14,089,473	26,474	20,722	5,752
Total public works	39,188,666	36,529,281	2,021,807	38,551,088	637,578	523,686	113,892
Parks:							
Parks and grounds maintenance	3,115,841	2,441,975	-	2,441,975	673,866	256,420	417,446
Buildings maintenance	4,512,013	4,375,875	-	4,375,875	136,138	132,135	4,003
Administration	583,668	539,529	-	539,529	44,139	344	43,795
Facilities Management - building	400,839	365,263	-	365,263	35,576	21,347	14,229
Parks, grounds and building maintenance - warehouse	64,356	42,731	-	42,731	21,625	-	21,625
Parks, grounds and building maintenance - work order	60,375	57,856	-	57,856	2,519	160	2,359
Total parks	8,737,092	7,823,229	-	7,823,229	913,863	410,406	503,457
Total expenditures and encumbrances	191,384,710	183,025,589	2,369,519	185,395,108	5,989,602	2,471,177	3,518,425

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Uses -
 Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
OTHER FINANCING USES							
Transfers to component unit:							
Public Schools	\$ 121,643,526	121,643,526	-	121,643,526	-	-	-
Transfers to other funds:							
Virginia Public Assistance Fund	5,255,561	5,255,561	-	5,255,561	-	-	-
Debt Service Fund	40,782,913	40,782,913	-	40,782,913	-	-	-
Community Services Fund	3,668,452	3,668,452	-	3,668,452	-	-	-
Interagency Consortium Fund	2,220,238	2,220,238	-	2,220,238	-	-	-
Capital Projects Fund	2,565,393	2,569,529	-	2,569,529	(4,136)	-	(4,136)
City Garage Fund	779,181	779,181	-	779,181	-	-	-
Information Technology Fund	52,259	52,259	-	52,259	-	-	-
Community Corrections Fund	27,085	27,085	-	27,085	-	-	-
Animal Control Fund	720,329	720,329	-	720,329	-	-	-
Grants Fund	112,977	266,750	-	266,750	(153,773)	-	(153,773)
Total transfers to other funds	56,184,388	56,342,297	-	56,342,297	(157,909)	-	(157,909)
Total other financing uses	177,827,914	177,985,823	-	177,985,823	(157,909)	-	(157,909)
Total expenditures, encumbrances, and other financing uses	\$ 369,212,624	361,011,412	2,369,519	363,380,931	5,831,693	2,471,177	3,360,516

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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 N

Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 1,800,000	974,608	(825,392)
Revenue from use of property	115,765	115,765	-
Miscellaneous local revenues	-	217,850	217,850
Intergovernmental revenues:			
Commonwealth of Virginia	222,482	222,482	-
Total revenues	2,138,247	1,530,705	(607,542)
EXPENDITURES			
Interest on general obligation bonds	20,159,885	19,634,037	525,848
Interest on literary loans	224,260	224,260	-
Capital lease payments	1,625,922	1,500,153	125,769
Other debt expenditures	480,240	746,972	(266,732)
Redemption of general obligation bonds	20,281,360	20,281,360	-
Redemption of literary loans	649,493	649,493	-
Total expenditures	43,421,160	43,036,275	384,885
Deficiency of revenues under expenditures	(41,282,913)	(41,505,570)	(222,657)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	40,782,913	40,782,913	-
Conference Center Fund	500,000	587,621	87,621
Capital Projects Fund	-	145,307	145,307
Total transfers from other funds	41,282,913	41,515,841	232,928
Transfer from component unit - Public Schools Capital Projects Fund	-	276,725	276,725
Issuance of bonds	9,458,200	90,245,000	80,786,800
Premiums on bonds issued	-	8,218,994	8,218,994
Payment to refunded bond escrow agent	-	(89,449,965)	(89,449,965)
Transfer to Capital Projects Fund	(3,192,678)	(3,213,637)	(20,959)
Transfer to component unit - Public Schools Capital Projects Fund	(7,058,200)	(5,991,476)	1,066,724
Total other financing sources (uses)	40,490,235	41,601,482	1,111,247
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(792,678)	95,912	888,590
Fund balance - beginning	24,937,637	24,937,637	-
Fund balance - ending	\$ 24,144,959	25,033,549	888,590

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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, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects:							
General government:							
1985 Borrowing Authority:							
Juvenile and Domestic Court reseal windows	28,453	27,173	-	27,173	1,280	-	1,280 *
Facilities high priority renewal/replacement	60,391	51,425	5,845	57,270	3,121	-	3,121
1990 Borrowing Authority:							
Infrastructure improvement (Economic Development)	15,350	-	-	-	15,350	-	15,350
1992 Borrowing Authority:							
Facilities high priority renewal/replacement	83,192	11,616	71,576	83,192	-	-	-
1994 Borrowing Authority:							
TCC site improvement	768,090	768,090	-	768,090	-	-	- *
1995 Borrowing Authority:							
Thermal Storage central system	313	-	-	-	313	313	-
Bowers Hill maintenance center	43,507	43,507	-	43,507	-	-	-
Butts Station maintenance center	4,526	4,526	-	4,526	-	-	-
Americans with Disabilities Act	126,594	14,107	107,984	122,091	4,503	4,503	-
Western Branch planning study	93,100	92,933	156	93,089	11	-	11
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	122,631	-	26,151	26,151	96,480	3,286	93,194
1996 Borrowing Authority:							
Butts Station maintenance center	560	560	-	560	-	-	-
Underground water/sewer improvements (Economic Development)	325,000	324,945	-	324,945	55	-	55 *
New industrial park (Economic Development)	144,239	144,239	-	144,239	-	-	-
Bowers Hill maintenance center	2,890	2,890	-	2,890	-	-	-
Emergency generator	64,770	62,707	-	62,707	2,063	-	2,063 *
Infrastructure improvement (Economic Development)	118,913	-	-	-	118,913	-	118,913
Tidewater Detention Home floor replacement	171,480	16,636	21,481	38,117	133,363	133,363	-
Facilities high priority renewal/replacement	25,338	-	17,944	17,944	7,394	-	7,394
1997 Borrowing Authority, 1998 Series:							
New industrial park	800,000	695,000	105,000	800,000	-	-	-
Compaz Industrial Park	800,000	800,000	-	800,000	-	-	-
Prior commitments	1,290,506	-	423,680	423,680	866,826	-	866,826

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
General government, continued:							
1997 Borrowing Authority, 1998 Series, continued:							
Congestion mitigation air quality	22,650	-	-	-	22,650	-	22,650
Facilities high priority renewal/replacement	174,643	-	69,895	69,895	104,748	84,812	19,936
Other funding sources:							
ARTS education building	55,000	-	-	-	55,000	-	55,000
Americans with Disabilities Act	247,881	-	252	252	247,629	-	247,629
Commerce Park	900,000	335,261	438,636	773,897	126,103	-	126,103
Undesignated utilities and water and sewer lines	13,120	-	-	-	13,120	-	13,120
City strategic plan	200,000	-	94,104	94,104	105,896	101,331	4,565
Americans with Disabilities Act	89,660	14	49,462	49,476	40,184	425	39,759
New business park	1,000,000	25,500	5,000	30,500	969,500	-	969,500
Undesignated utilities and water and sewer lines	482,340	-	-	-	482,340	-	482,340
Integrated financial management system	4,669,765	201,658	178,407	380,065	4,289,700	20,000	4,269,700
Chesapeake/Virginia Beach transportation land use study	140,000	139,900	-	139,900	100	-	100 *
Western Branch planning study	26,900	26,900	-	26,900	-	-	- *
Infrastructure improvement (Economic Development)	67,952	-	-	-	67,952	-	67,952
Environment assessment remedial program	1,212,203	1,030,485	88,216	1,118,701	93,502	91,483	2,019
GASB 34 implementation	150,667	32,577	29,502	62,079	88,588	3,626	84,962
E-government initiative	500,000	219,700	59,099	278,799	221,201	2,240	218,961
Tidewater Detention Home floor replacement	65,520	-	14	14	65,506	31,091	34,415
Facilities high priority renewal/replacement	453,284	-	-	-	453,284	249,439	203,845
Conference Center technology enhancement	100,000	-	-	-	100,000	100,000	-
Chesapeake Airport improvement	274,700	154,059	3,107	157,166	117,534	-	117,534
Facilities high priority renewal/replacement	757	-	600	600	157	-	157
Cash processing system - Treasurer	293,590	-	619	619	292,971	33,696	259,275
Ortho photography	312,000	-	-	-	312,000	128,651	183,349
South Norfolk community improvement	64,098	-	-	-	64,098	-	64,098
City-wide undesignated drainage	193,531	115	-	115	193,416	-	193,416
Art feasibility study	30,000	-	6,352	6,352	23,648	13,090	10,558
City Jail repair and remediation	911,077	361	14,567	14,928	896,149	36,762	859,387
Campostella Community Center	590,000	-	359	359	589,641	-	589,641

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
General government, continued:							
Other funding sources, continued:							
Art feasibility study	80,000	73,262	6,738	80,000	-	-	-
Lease Revenue Bond:							
Municipal Center parking	21,165	-	-	-	21,165	-	21,165
<hr/>							
Total general government	18,776,912	5,300,146	1,824,746	7,124,892	11,652,020	1,038,111	10,613,909
<hr/>							
Department of Public Safety:							
1992 Borrowing Authority:							
Fire Station # 10 addition	6,180	6,080	-	6,080	100	-	100 *
Fuel tank leak prevention & detection	27,438	-	6,179	6,179	21,259	-	21,259
1993 Borrowing Authority:							
HVAC and roof replacement/Public Safety building	2,852	2,852	-	2,852	-	-	- *
Congestion mitigation air quality	74,568	2,279	100	2,379	72,189	-	72,189
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	-	3,277	3,277	42,272	27,985	14,287
1995 Borrowing Authority:							
Fire station # 9 Brentwood	118,693	117,739	535	118,274	419	-	419 *
Police firing range	163,875	163,875	-	163,875	-	-	- *
1996 Borrowing Authority:							
Pendleton Center relocation	305,967	305,967	-	305,967	-	-	- *
Fire Station # 9 Brentwood	52,500	52,500	-	52,500	-	-	- *
4th Police Precinct	19,183	19,183	-	19,183	-	-	- *
800 MHZ digital radio system	20,000	-	20,000	20,000	-	-	-
Fire station # 9 Brentwood	80,156	-	-	-	80,156	-	80,156
1997 Borrowing Authority, 2003A Series:							
Fire station # 9 Brentwood	2,081,000	-	-	-	2,081,000	-	2,081,000
1997 Borrowing Authority, 2001 Series:							
Training Academy firing range	2,240,000	2,026,625	203,203	2,229,828	10,172	-	10,172
Training Academy roof	60,000	-	39,049	39,049	20,951	-	20,951

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Safety, continued:							
Lease Revenue Bond:							
Jail annex	19,043	-	-	-	19,043	17,839	1,204
Other funding sources:							
Emergency mobile CD	112,154	112,154	-	112,154	-	-	- *
800 MHz digital radio system	528,005	203,404	145,828	349,232	178,773	163,975	14,798
Fire Station # 15	53,647	6,560	-	6,560	47,087	47,087	-
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	1,138,040	50,391	1,188,431	44,449	6,316	38,133
Fire station # 9 Brentwood	213,188	9,023	3,003	12,026	201,162	-	201,162
3rd Police Precinct	336,000	45,781	249,115	294,896	41,104	1,503	39,601
800 MHz digital radio system	289,800	230,800	59,000	289,800	-	-	-
Facility space	113,000	-	7,813	7,813	105,187	48	105,139
800 MHz digital radio system and towers	14,400,000	12,702,479	1,697,521	14,400,000	-	-	-
Fire Station # 15	1,299	1,299	-	1,299	-	-	-
Fire station # 9 Brentwood	6,656	-	-	-	6,656	-	6,656
Total Department of Public Safety	26,359,101	20,767,718	2,485,014	23,252,732	3,106,369	270,032	2,836,337
Department of Public Works:							
1987 Road bond Referendum:							
Kempsville Road phase 2	2,465	-	-	-	2,465	-	2,465
1988 Road Bond Referendum:							
Road improvement Group F	1,321	-	-	-	1,321	-	1,321 *
Battlefield AIW Bridge	248,463	-	60,200	60,200	188,263	-	188,263
1989 Road Bond Referendum:							
Kempsville Road phase 2	124,683	-	-	-	124,683	-	124,683
1994 Road Bond Referendum, 1996 series:							
Cedar Road phase 4 and 5	227,020	60,556	136,671	197,227	29,793	16,557	13,236
Cedar Road phase 1, 2, and 3	4,869	-	4,869	4,869	-	-	-
Johnstown Road	159,265	81,853	66,743	148,596	10,669	-	10,669
Battlefield - South	305,578	305,578	-	305,578	-	-	-

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1994 Road Bond Referendum, 1996 series, continued:							
Hanbury Road	108,807	44,843	56,564	101,407	7,400	-	7,400
George Washington Highway	37,427	14,423	151	14,574	22,853	-	22,853
Canal Drive	52,417	45,318	7,099	52,417	-	-	-
Jordan Bridge	55,549	44,300	-	44,300	11,249	-	11,249
Centerville/Land of Promise	78,232	74,726	1,032	75,758	2,474	-	2,474
Johnstown Road	134	-	134	134	-	-	-
Centerville/Land of Promise	5,034	3,650	-	3,650	1,384	-	1,384
Battlefield/Johnstown/Hanbury	1,089,400	917,927	-	917,927	171,473	-	171,473
Management and inspection fees	1,495,874	1,482,359	-	1,482,359	13,515	-	13,515
Jordan Bridge repair	156,737	-	-	-	156,737	-	156,737
Cedar Road phase 1, 2, and 3	49,546	1,300	45,264	46,564	2,982	-	2,982
Sidewalk improvement	73,864	55,845	-	55,845	18,019	-	18,019 *
Battlefield Boulevard AIW Bridge	51,840	5,659	46,181	51,840	-	-	-
Chesapeake Expressway - Mt. Pleasant Road	40,400	29,003	11,397	40,400	-	-	-
Kempsville Road phase 1	73,600	-	73,600	73,600	-	-	-
Kempsville Road phase 2	261,900	-	23,048	23,048	238,852	5,307	233,545
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	-	85,053	85,053	245,047	87,924	157,123
Portsmouth Boulevard phase 4	14,600	-	3,008	3,008	11,592	-	11,592
Salt storage building	100,000	-	-	-	100,000	-	100,000
Undesignated Public Works project	150,000	-	2,305	2,305	147,695	4,895	142,800
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	17,871	53,724	96,276	-	96,276
Western Branch Middle School	130,000	3,438	115,830	119,268	10,732	10,269	463
Wellons-Forehand overpass	158,131	-	158,131	158,131	-	-	-

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1994 Road Bond Referendum, 1996 series, continued:							
Battlefield AIW Bridge	200,055	-	200,055	200,055	-	-	-
Kempsville Road phase 2	14,841	-	-	-	14,841	-	14,841
1994 Road Bond Referendum, 1998 Series:							
Hanbury Road	781,889	553,517	1,809	555,326	226,563	4,647	221,916
George Washington Highway	36,018	26,345	-	26,345	9,673	-	9,673
Canal Drive/George Washington/Military Highway	347,029	302,780	4,420	307,200	39,829	-	39,829
Cedar Road phase 1, 2, 3, 4, and 5	1,637,921	1,209,681	418,927	1,628,608	9,313	3,420	5,893
Johnstown Road	47,257	8,244	24,551	32,795	14,462	-	14,462
George Washington	111,055	53,443	-	53,443	57,612	-	57,612
Cedar Road phase 1 and 2	58,855	50,115	8,740	58,855	-	-	-
Hanbury Road	123	123	-	123	-	-	- *
Congestion mitigation air quality program	14,630	-	-	-	14,630	-	14,630
Wellons-Forehand overpass	73,600	-	66,954	66,954	6,646	-	6,646
Mt. Pleasant on-ramp	23,645	-	23,645	23,645	-	-	-
Kempsville Road phase 2	2,282	-	-	-	2,282	-	2,282
1994 Road Bond Referendum, 2003 Series:							
Cedar Road 4 and 5	9,300,000	-	-	-	9,300,000	-	9,300,000
Cedar Road 4 and 5 land	1,200,000	-	109,000	109,000	1,091,000	-	1,091,000
1984 Borrowing Authority:							
Kempsville Road phase 2	3,542	-	-	-	3,542	-	3,542
1986 Borrowing Authority:							
Facilities high priority renewal/replacement	7,674	7,674	-	7,674	-	-	-
1987 Borrowing Authority:							
Atlantic Avenue phase 4 - Battlefield	5,511	-	-	-	5,511	-	5,511
Gum Road multi-use	15,684	-	-	-	15,684	-	15,684
Kempsville Road phase 2	2,687	-	-	-	2,687	-	2,687
1989 Borrowing Authority:							
Master road plan study	141,601	8,069	125,043	133,112	8,489	-	8,489
Portsmouth Boulevard phase 4	31,211	31,211	-	31,211	-	-	-
Atlantic Avenue 3 - Campostella	73,759	765	-	765	72,994	-	72,994

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1989 Borrowing Authority, continued:							
City strategic plan	50,000	50,000	-	50,000	-	-	-
Gum Road multi-use	688	-	-	-	688	-	688
Fuel tank leak prevention and detection	4,495	-	4,495	4,495	-	-	-
1990 Borrowing Authority:							
Kempsville Road phase 2	582	-	-	-	582	-	582
Kempsville Road phase 2	1,043	-	-	-	1,043	-	1,043
Portsmouth Boulevard phase 4	1,909	-	-	-	1,909	-	1,909
1992 Borrowing Authority:							
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	5,344	1,071	4,273	5,344	-	-	-
Portsmouth Boulevard phase 4	23,833	23,833	-	23,833	-	-	-
Gum Road multi-use	28,187	-	-	-	28,187	-	28,187
Kempsville phase 2	54,574	-	-	-	54,574	-	54,574
1993 Borrowing Authority:							
Gilmerton Bridge	254	254	-	254	-	-	-
Street lights	40,362	40,362	-	40,362	-	-	- *
Dock Landing Road extension	6,995	6,995	-	6,995	-	-	-
Portsmouth Boulevard phase 4	16,029	16,029	-	16,029	-	-	-
Various traffic signals	362,139	358,102	3,293	361,395	744	744	-
Poindexter Street improvements	27,115	-	6,808	6,808	20,307	-	20,307
Facilities high priority renewal/replacement	3,508	-	664	664	2,844	-	2,844
Portsmouth Boulevard phase 4	18,507	-	-	-	18,507	-	18,507
1994 Borrowing Authority:							
Greenbrier Parkway	150,000	149,778	-	149,778	222	-	222 *
Gilmerton Bridge	7,922	7,922	-	7,922	-	-	-
Butts Station operations	104,624	104,624	-	104,624	-	-	- *
Various traffic signals	91,781	90,597	750	91,347	434	434	-
Kempsville Road PS relocation	7,860	4,060	-	4,060	3,800	-	3,800

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1994 Borrowing Authority, continued:							
Tyre Neck Road	3,270	-	-	-	3,270	-	3,270
Poindexter Street improvements	86,125	-	-	-	86,125	-	86,125
Facilities high priority renewal/repalcement	7,611	-	1,440	1,440	6,171	-	6,171
Portsmouth phase 4	13,141	-	-	-	13,141	-	13,141
1995 Borrowing Authority:							
Bainbridge Boulevard drainage	16,670	-	-	-	16,670	-	16,670
Oak Grove Connector	85,640	74,511	2,047	76,558	9,082	9,082	-
Hickory maintenance center	27,185	27,185	-	27,185	-	-	- *
Street lights	560,626	497,027	-	497,027	63,599	-	63,599
Cedar Road phase 4 and 5	88,327	777	41,626	42,403	45,924	45,924	-
Undesignated Public Works projects	48,490	15,830	30,593	46,423	2,067	-	2,067
Gilmerton Bridge improvements	23,811	23,811	-	23,811	-	-	-
Portsmouth Boulevard phase 4	72,890	72,177	-	72,177	713	-	713
Various traffic signals	396,080	194,994	24,571	219,565	176,515	87,326	89,189
Infrastructure improvement	25,877	-	-	-	25,877	-	25,877
Poindexter Street improvement	1,510	-	1,500	1,500	10	-	10
Gum Road multi-path	25,000	-	-	-	25,000	-	25,000
Portsmouth Boulevard phase 4	31,754	-	-	-	31,754	-	31,754
1996 Borrowing Authority:							
Providence Road	2,000	-	-	-	2,000	-	2,000
Dock Landing bikeway	20,133	-	165	165	19,968	-	19,968
Street lights	155,395	-	-	-	155,395	-	155,395
Bike lane signage	51,824	51,824	-	51,824	-	-	- *
Atlantic Avenue/Battlefield Boulevard phase 4	126,862	-	-	-	126,862	-	126,862
Wadsworth Overpass	14,850	-	-	-	14,850	-	14,850
Cedar Road	62,725	50,117	12,608	62,725	-	-	-
Kempsville Road phase 2	20,304	20,304	-	20,304	-	-	-
Kempsville Road phase 3	177,300	109,112	944	110,056	67,244	-	67,244
Gilmerton Bridge	8,900	8,900	-	8,900	-	-	-
Dock Landing Road extension	44,667	18,700	-	18,700	25,967	-	25,967

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
1996 Borrowing Authority, continued:							
Atlantic Avenue 3 - Campostella	78,441	-	-	-	78,441	-	78,441
Portsmouth Boulevard phase 4	26,601	-	-	-	26,601	-	26,601
Route 17/ M C Parkway/Old Mill	700,000	116,576	283,680	400,256	299,744	-	299,744
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	-	-	-
1997 Borrowing Authority, 1998 Series:							
Atlantic Avenue phase 3	40,135	-	-	-	40,135	-	40,135
Atlantic Avenue phase 4	1,953	-	-	-	1,953	-	1,953
Kempsville Road phase 1	12,400	766	11,634	12,400	-	-	-
Kempsville Road phase 2	36,500	-	-	-	36,500	-	36,500
Kempsville Road phase 3	26,400	-	-	-	26,400	-	26,400
Gilmerton Bridge rehabilitation	18,350	18,350	-	18,350	-	-	-
Dock Landing - bikeway	72,000	-	-	-	72,000	-	72,000
Tyre Neck Road	530	-	-	-	530	-	530
Gilmerton Bridge rehabilitation	326,749	-	52,290	52,290	274,459	-	274,459
Other funding sources:							
Street lights	43,716	-	-	-	43,716	-	43,716
Landfill site	175,000	174,729	-	174,729	271	-	271 *
Providence Road	132	-	-	-	132	-	132
Road improvements	368	-	-	-	368	-	368 *
Stormwater management	942,919	942,919	-	942,919	-	-	- *
Kempsville Road	58,715	-	37,630	37,630	21,085	-	21,085
Bridge replacement - phase 1	236,920	123,950	5,449	129,399	107,521	-	107,521
Cedar Road phase 1 and 2	104,298	60,170	16,737	76,907	27,391	-	27,391
GIS stormwater development	73,670	73,670	-	73,670	-	-	- *
Battlefield Boulevard AIW Bridge	2,494,717	1,828	-	1,828	2,492,889	-	2,492,889
Gum Road multi-use	27,562	-	-	-	27,562	-	27,562

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
Other funding sources, continued:							
Infrastructure improvements	466,718	-	-	-	466,718	-	466,718
Cedar Road phase 4 and 5	685,000	-	-	-	685,000	-	685,000
Chesapeake Expressway - Mt. Pleasant Road	159,600	-	141,461	141,461	18,139	-	18,139
Gilmerton Bridge - interim	363,697	112,206	5	112,211	251,486	-	251,486
Infrastructure improvements	7,405	-	-	-	7,405	-	7,405
Repair and maintenance - roads	226,803	-	57,957	57,957	168,846	2,329	166,517
Cedar Road 4 and 5	850,000	-	633,826	633,826	216,174	192,452	23,722
Kempsville Road PS relocation	4,840	-	-	-	4,840	-	4,840
Kempsville Road phase 2	15,770	-	-	-	15,770	-	15,770
Battlefield Boulevard AIW Bridge	1,663,902	-	-	-	1,663,902	-	1,663,902
Various traffic signals	180,000	600	49,435	50,035	129,965	96,965	33,000
Volvo/Progressive Drive signal	422	-	-	-	422	-	422
Portsmouth Boulevard phase 4	1,985	-	-	-	1,985	-	1,985
Master Road Plan	10,000	-	-	-	10,000	-	10,000
Undesignated Public Works projects	50,000	-	-	-	50,000	-	50,000
Jordan Bridge	400,000	-	-	-	400,000	-	400,000
Pro-rata drainage projects:							
Military Highway drainage culvert	474,000	-	281,120	281,120	192,880	13,252	179,628
Master drainage plan	1,610,000	-	-	-	1,610,000	-	1,610,000
Construction reimbursement - Other:							
Volvo/Progressive Drive signal	30,000	-	2,967	2,967	27,033	910	26,123
Intersection improvements	22,489	-	-	-	22,489	-	22,489
Traffic signal - Cedar Commons	171,807	-	6,324	6,324	165,483	4,216	161,267
Lamberts Trail Drainage Project	41,483	-	35,704	35,704	5,779	5,779	-
Construction reimbursement - VDOT:							
Battlefield Boulevard AIW Bridge	4,134,000	1,381,000	2,753,000	4,134,000	-	-	-
Greenbrier Parkway intersection improvements	148,000	-	24,769	24,769	123,231	46,953	76,278
Gum Road multi-use	500,000	-	42,657	42,657	457,343	40,946	416,397
Poindexter Street improvement	459,000	-	25,682	25,682	433,318	7,552	425,766
Rt. 104 Steel Bridge	1,700,000	-	29,250	29,250	1,670,750	-	1,670,750
Signal system upgrade	3,016,000	70,727	354,433	425,160	2,590,840	2,590,839	1

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Public Works, continued:							
Construction reimbursement - VDOT, continued:							
Backwoods Bridge repair	198,328	16,114	2,310	18,424	179,904	-	179,904
Rt. 104 Steel Bridge	242,186	-	-	-	242,186	-	242,186
Bridge replacement	102,775	-	-	-	102,775	-	102,775
Battlefield and Great Bridge Boulevard	26,109	592	-	592	25,517	-	25,517
Great Bridge Battlefield and Waterway Visitor Center and Trail	120,000	-	-	-	120,000	-	120,000
Volvo/Progressive Drive signal	210,253	-	-	-	210,253	-	210,253
Total Department of Public Works	47,648,444	11,229,394	6,888,559	18,117,953	29,530,491	3,278,722	26,251,769
Department of Libraries:							
1996 Borrowing Authority:							
Indian River Library expansion	34,000	34,000	-	34,000	-	-	-
1997 Borrowing Authority, 1998 Series:							
MJ Hillard Library replacement	8,674	8,674	-	8,674	-	-	- *
Other funding sources:							
Indian River Library expansion	3,642,700	199,067	771,038	970,105	2,672,595	1,588,744	1,083,851
Total Department of Libraries	3,685,374	241,741	771,038	1,012,779	2,672,595	1,588,744	1,083,851
Department of Parks, Recreation, and Property Maintenance:							
1994 Borrowing Authority:							
Western Branch Park phase 2	2,258,273	2,258,273	-	2,258,273	-	-	- *
Waterstone/Peek Estate Park	16,927	-	-	-	16,927	-	16,927
1995 Borrowing Authority:							
Riprap - Elizabeth River Park	121,000	-	100	100	120,900	120,900	-
1996 Borrowing Authority:							
Park land acquisition	1,309,895	1,112,173	127,750	1,239,923	69,972	-	69,972
Other funding sources:							
Develop new park	71,880	-	60,868	60,868	11,012	-	11,012
Cedar Crossings Park	13,275	-	-	-	13,275	-	13,275

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
General construction projects, continued:							
Department of Parks, Recreation, and Property Maintenance, continued:							
Other funding sources, continued:							
Develop new park	5,649	-	-	-	5,649	-	5,649
New parks open space	232,920	179,844	11,425	191,269	41,651	25,969	15,682
Oak Grove play area	40,560	27,294	-	27,294	13,266	13,266	-
Georgetown Elementary School - lights	105,000	-	-	-	105,000	-	105,000
Total Department of Parks, Recreation, and Property Maintenance	4,175,379	3,577,584	200,143	3,777,727	397,652	160,135	237,517
Total general construction projects	100,645,210	41,116,583	12,169,500	53,286,083	47,359,127	6,335,744	41,023,383
Revenue sharing projects:							
General government:							
Juvenile and Domestic Court reseal windows	54,333	54,103	-	54,103	230	-	230 *
Facilities high priority renewal/replacement	2,464	-	-	-	2,464	-	2,464
Total general government	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 3 - 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	43,254	-	43,254	46,112	-	46,112
Total revenue sharing projects	146,163	97,357	-	97,357	48,806	-	48,806
Total general construction projects and revenue sharing projects	100,791,373	41,213,940	12,169,500	53,383,440	47,407,933	6,335,744	41,072,189
School capital project:							
2003A Virginia Public School Authority:							
Grassfield High School	2,400,000	-	-	-	2,400,000	-	2,400,000

(Continued)

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

Fund and Project	Appropriations	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
Community development projects:							
Campostella	3,314,579	1,433,198	1,131,674	2,564,872	749,707	-	749,707
Queen City	17,946	4,652	-	4,652	13,294	-	13,294
Total community development projects	3,332,525	1,437,850	1,131,674	2,569,524	763,001	-	763,001
Lease revenue bonds (trustee):							
Circuit Court building	-	1,078,568	53,513	1,132,081	(1,132,081)	-	(1,132,081)
City Jail addition/renovation	-	164,882	99,841	264,723	(264,723)	-	(264,723)
Total lease revenue bonds (trustee)	-	1,243,450	153,354	1,396,804	(1,396,804)	-	(1,396,804)
Supplemental agreements (trustee):							
Oak Grove Connector	-	2,060,808	150,258	2,211,066	(2,211,066)	-	(2,211,066)
Total expenditures	106,523,898	45,956,048	13,604,786	59,560,834	46,963,064	6,335,744	40,627,320
Less completed projects				(6,345,247)			
Construction in progress				\$ 53,215,587			

* 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.

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.

Animal Control Fund – To account for revenues and expenditures related to animal control activities. This fund was eliminated as of June 30, 2003.

School Community Health Fees Fund – To account for revenues and expenditures related to School community health activities. This fund was eliminated as of June 30, 2003.

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, 2003

	Special Revenue Funds				
	Virginia Public Assistance	Community Services	Conference Center	Community Development	Interagency Consortium
ASSETS					
Cash and temporary investments	\$ -	3,961,793	785,643	-	1,034,114
Intergovernmental revenues due from:					
Commonwealth of Virginia	389,167	-	-	-	533,852
Federal government	864,036	-	-	457,053	-
Receivables:					
Accounts receivable	-	3,446	190,845	-	1,787
Interest	-	-	-	-	-
Other	-	-	-	20,000	-
Total assets	\$ 1,253,203	3,965,239	976,488	477,053	1,569,753
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 167,623	219,834	59,973	228,398	389,771
Deposits	-	-	29,891	-	-
Deferred revenues	-	168,528	-	-	-
Due to other funds	1,022,931	-	317,009	36,569	-
Total liabilities	1,190,554	388,362	406,873	264,967	389,771
Fund balances					
Reserved:					
Expendable	55,881	422,728	62,024	3,400	-
Nonexpendable	-	-	-	-	-
Unreserved:					
Designated	-	-	87,591	-	-
Undesignated	6,768	3,154,149	420,000	208,686	1,179,982
Total fund balances	62,649	3,576,877	569,615	212,086	1,179,982
Total liabilities and fund balances	\$ 1,253,203	3,965,239	976,488	477,053	1,569,753

Schedule P-1

Community Corrections	Fee Supported Activities	Grants	Permanent Funds		Total Nonmajor Governmental Funds
			Poor	Carney	
56,656	207,599	2,486,376	137,366	10,809	8,680,356
-	-	14,118	-	-	937,137
-	-	381,167	-	-	1,702,256
-	1,449	-	-	-	197,527
-	-	-	792	-	792
-	-	-	-	-	20,000
56,656	209,048	2,881,661	138,158	10,809	11,538,068
3,320	230	79,956	-	-	1,149,105
-	-	-	-	-	29,891
-	-	-	-	-	168,528
-	-	-	-	-	1,376,509
3,320	230	79,956	-	-	2,724,033
14,533	6,360	345,569	126,863	9,309	1,046,667
-	-	-	11,295	1,500	12,795
-	137,506	-	-	-	225,097
38,803	64,952	2,456,136	-	-	7,529,476
53,336	208,818	2,801,705	138,158	10,809	8,814,035
56,656	209,048	2,881,661	138,158	10,809	11,538,068

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

Year Ended June 30, 2003

	Special Revenue Funds				
	Virginia Public Assistance	Community Services	Conference Center	Community Development	Interagency Consortium
REVENUES					
Restaurant food tax	\$ -	-	1,230,704	-	-
Lodging sales tax	-	-	362,476	-	-
Licenses, permits, and fees	-	-	-	-	-
Intergovernmental revenues:					
Commonwealth of Virginia	3,868,595	4,374,669	-	-	1,634,615
Federal Government	7,744,103	1,258,431	-	2,304,698	129,935
Recovered costs	46,086	190	4,281	2,902	5,007
Investment income	-	43,454	11,515	-	11,344
Charges for services	3,253	1,871,147	2,353,711	-	-
Miscellaneous local revenues	-	-	1,154	-	-
Program income	-	-	-	407,175	-
Total revenues	11,662,037	7,547,891	3,963,841	2,714,775	1,780,901
EXPENDITURES					
Current:					
General government	-	-	3,277,161	-	-
Public safety	-	-	-	-	-
Parks	-	-	-	-	-
Public welfare	16,973,504	10,476,395	-	1,510,363	3,366,080
Capital outlay	-	44,118	-	-	-
Total expenditures	16,973,504	10,520,513	3,277,161	1,510,363	3,366,080
Excess (deficiency) of revenues over (under) expenditures	(5,311,467)	(2,972,622)	686,680	1,204,412	(1,585,179)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	5,255,561	3,668,452	-	-	2,220,238
Transfers to other funds	(12,784)	(58,454)	(599,136)	(1,131,674)	(11,344)
Total other financing sources (uses)	5,242,777	3,609,998	(599,136)	(1,131,674)	2,208,894
Net change in fund balances	(68,690)	637,376	87,544	72,738	623,715
Fund balance - beginning	131,339	2,939,501	482,071	139,348	556,267
Fund balance - ending	\$ 62,649	3,576,877	569,615	212,086	1,179,982

Community Corrections	Fee Supported Activities	Grants	Animal Control	School Community Health Fees	Permanent Funds		Total Nonmajor Governmental Funds
					Poor	Carney	
-	-	-	-	-	-	-	1,230,704
-	-	-	-	-	-	-	362,476
-	-	-	139,452	-	-	-	139,452
441,431	-	418,833	-	-	-	-	10,738,143
-	-	4,087,721	-	-	-	-	15,524,888
-	-	-	1,602	-	-	-	60,068
624	2,277	-	499	-	4,440	229	74,382
-	109,804	-	-	-	-	-	4,337,915
-	-	4,992	5,034	-	-	-	11,180
-	-	-	-	-	-	-	407,175
442,055	112,081	4,511,546	146,587	-	4,440	229	32,886,383
425,814	-	1,097,548	-	20,493	-	-	4,821,016
-	63,956	1,706,160	854,200	-	-	-	2,624,316
-	-	109,013	-	-	-	-	109,013
-	-	590,094	-	-	-	-	32,916,436
-	-	236,724	-	-	-	-	280,842
425,814	63,956	3,739,539	854,200	20,493	-	-	40,751,623
16,241	48,125	772,007	(707,613)	(20,493)	4,440	229	(7,865,240)
27,085	-	323,780	720,329	-	-	-	12,215,445
(622)	(2,277)	-	(61,001)	(2,464)	-	-	(1,879,756)
26,463	(2,277)	323,780	659,328	(2,464)	-	-	10,335,689
42,704	45,848	1,095,787	(48,285)	(22,957)	4,440	229	2,470,449
10,632	162,970	1,705,918	48,285	22,957	133,718	10,580	6,343,586
53,336	208,818	2,801,705	-	-	138,158	10,809	8,814,035

CITY OF CHESAPEAKE, VIRGINIA

Virginia Public Assistance Fund

Schedule of Revenues and Other Financing Source - Budget and Actual

Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 4,048,267	3,868,595	(179,672)
Federal government	8,404,040	7,744,103	(659,937)
Total intergovernmental revenues	12,452,307	11,612,698	(839,609)
Recovered costs	-	46,086	46,086
Charges for services	12,000	3,253	(8,747)
Total revenues	12,464,307	11,662,037	(802,270)
OTHER FINANCING SOURCE			
Transfer from the General Fund	5,255,561	5,255,561	-
Total revenues and other financing source	\$ 17,719,868	16,917,598	(802,270)

CITY OF CHESAPEAKE, VIRGINIA

Virginia Public Assistance Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
Public welfare:							
Bureau of Public Assistance	\$ 4,204,528	4,265,045	–	4,265,045	(60,517)	–	(60,517)
Administration	9,175,087	9,010,215	–	9,010,215	164,872	51,684	113,188
Employment Service Program/VIEW	3,465,688	2,895,994	–	2,895,994	569,694	4,090	565,604
Food Stamp Administration	895,506	802,250	–	802,250	93,256	107	93,149
Social Services grants	2,217	–	–	–	2,217	–	2,217
Total expenditures and encumbrances	\$ 17,743,026	16,973,504	–	16,973,504	769,522	55,881	713,641

CITY OF CHESAPEAKE, VIRGINIA

Community Services Fund
 Schedule of Revenues and Other Financing Source - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 754,317	754,317	-
Mental health grants	3,022,507	3,099,350	76,843
Mental retardation grants	498,115	521,002	22,887
Total from the Commonwealth of Virginia	4,274,939	4,374,669	99,730
From the Federal government:			
Substance abuse and mental health and retardation grant	1,227,466	1,258,431	30,965
Charges for services:			
Mental health fees	896,128	939,698	43,570
Mental retardation fees	437,807	493,074	55,267
Mental retardation Medicaid waivers	260,000	268,343	8,343
Substance abuse fees	171,575	170,032	(1,543)
Total charges for services	1,765,510	1,871,147	105,637
Recovered costs	-	190	190
Investment income	-	43,454	43,454
Total revenues	7,267,915	7,547,891	279,976
OTHER FINANCING SOURCE			
Transfer from the General Fund	3,668,452	3,668,452	-
Total revenues and other financing source	\$ 10,936,367	11,216,343	279,976

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
Public welfare	\$ 10,943,241	10,476,395	44,118	10,520,513	422,728	422,728	—
Total expenditures and encumbrances	\$ 10,943,241	10,476,395	44,118	10,520,513	422,728	422,728	—

CITY OF CHESAPEAKE, VIRGINIA

Conference Center Fund
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,161,000	1,230,704	69,704
Lodging sales tax	340,000	362,476	22,476
Recovered costs	6,000	4,281	(1,719)
Investment income	—	11,515	11,515
Charges for services	2,373,943	2,353,711	(20,232)
Miscellaneous revenues	2,000	1,154	(846)
Total revenues	\$ 3,882,943	3,963,841	80,898

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Conference Center Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - General government	\$ 3,426,729	3,277,161	–	3,277,161	149,568	62,024	87,544
Total expenditures and encumbrances	\$ 3,426,729	3,277,161	–	3,277,161	149,568	62,024	87,544

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund,
 Animal Control Fund, Fee Supported Activities Fund, and Grants Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Actual	Variance Positive (Negative)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,543,000	2,187,666	644,666
Home Rehabilitation Program	621,000	117,032	(503,968)
Program income	405,584	407,175	1,591
Recovered costs	–	2,902	2,902
Total revenues	\$ 2,569,584	2,714,775	145,191
Interagency Consortium Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,624,715	1,634,615	9,900
Federal government	–	129,935	129,935
Recovered costs	–	5,007	5,007
Investment income	–	11,344	11,344
Total revenues	1,624,715	1,780,901	156,186
Other financing source - transfer from the General Fund	2,220,238	2,220,238	–
Total revenues and other financing source	\$ 3,844,953	4,001,139	156,186
Community Corrections Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 465,000	441,431	(23,569)
Investment income	–	624	624
Total revenues	465,000	442,055	(22,945)
Other financing source - transfer from the General Fund	27,085	27,085	–
Total revenues and other financing source	\$ 492,085	469,140	(22,945)
Animal Control Fund			
Revenues			
Licenses, permits, and fees	\$ 126,450	139,452	13,002
Miscellaneous revenues	2,710	5,034	2,324
Recovered costs	–	1,602	1,602
Investment income	–	499	499
Total revenues	129,160	146,587	17,427
Other financing source - transfer from the General Fund	720,329	720,329	–
Total revenues and other financing source	\$ 849,489	866,916	17,427
Fee Supported Activities Fund			
Revenues			
Charges for services	\$ 50,000	109,804	59,804
Investment income	–	2,277	2,277
Total revenues	\$ 50,000	112,081	62,081
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 507,894	418,833	(89,061)
Federal government	5,335,259	4,087,721	(1,247,538)
Investment income	310	–	(310)
Miscellaneous revenues	–	4,992	4,992
Total revenues	5,843,463	4,511,546	(1,331,917)
Other financing sources			
Transfer from the General Fund	112,977	266,750	153,773
Transfer from other funds	57,030	57,030	–
Total other financing sources	170,007	323,780	153,773
Total revenues and other financing sources	\$ 6,013,470	4,835,326	(1,178,144)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD-Twenty-Two:							
Other project costs	\$ 40,000	–	–	–	40,000	–	40,000
Total HUD-Twenty-Two	40,000	–	–	–	40,000	–	40,000
HUD-Twenty-Three:							
Other project costs	35,569	34,999	–	34,999	570	–	570
HOME program grant	493,311	452,371	32,915	485,286	8,025	–	8,025
Finance grant	19,299	19,299	–	19,299	–	–	–
Section 108 debt service	153,445	153,445	–	153,445	–	–	–
Total HUD-Twenty-Three	701,624	660,114	32,915	693,029	8,595	–	8,595
HUD-Twenty-Four:							
Administrative project costs	88,670	88,474	–	88,474	196	–	196
Other project costs	152,953	120,300	1,458	121,758	31,195	–	31,195
HOME program grant	588,613	509,233	25,001	534,234	54,379	–	54,379
Fire Department grant	4,458	3,682	–	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	348,120	348,120	–	348,120	–	–	–
Pughsville sewer assistance	144,607	900	–	900	143,707	–	143,707
Total HUD-Twenty-Four	1,451,923	1,184,036	26,459	1,210,495	241,428	–	241,428
HUD-Twenty-Five:							
Administrative project costs	246,994	246,043	–	246,043	951	–	951
Other project costs	284,808	279,866	1,250	281,116	3,692	–	3,692
HOME program grant	1,424,912	1,202,168	27,144	1,229,312	195,600	–	195,600
Rehabilitation	274,949	190,817	1,636	192,453	82,496	–	82,496
Environmental grants	102,269	102,269	–	102,269	–	–	–
Finance grant	22,658	21,212	–	21,212	1,446	–	1,446
Section 108 debt service	348,010	348,010	–	348,010	–	–	–
Total HUD-Twenty-Five	2,704,600	2,390,385	30,030	2,420,415	284,185	–	284,185

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(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year	Total			
HUD-Twenty-Six:							
Administrative project costs	\$ 244,630	237,517	—	237,517	7,113	—	7,113
Other project costs	202,325	195,306	2,740	198,046	4,279	—	4,279
HOME program grant	1,163,492	824,540	42,162	866,702	296,790	—	296,790
Rehabilitation	95,417	35,826	25,017	60,843	34,574	—	34,574
Environmental grants	100,529	91,328	—	91,328	9,201	3,400	5,801
Finance grant	22,818	15,167	145	15,312	7,506	—	7,506
Section 108 debt service	347,090	347,090	—	347,090	—	—	—
Total HUD-Twenty-Six	2,176,301	1,746,774	70,064	1,816,838	359,463	3,400	356,063
HUD-Twenty-Seven:							
Administrative project costs	259,394	256,760	2,634	259,394	—	—	—
Other project costs	324,566	217,430	59,668	277,098	47,468	—	47,468
HOME program grant	1,283,183	152,976	275,280	428,256	854,927	—	854,927
Rehabilitation	113,461	47,931	—	47,931	65,530	—	65,530
Environmental grants	150,421	114,616	3,463	118,079	32,342	—	32,342
Finance grant	28,331	27,284	880	28,164	167	—	167
Section 108 debt service	350,229	350,229	—	350,229	—	—	—
Total HUD-Twenty-Seven	2,509,585	1,167,226	341,925	1,509,151	1,000,434	—	1,000,434
HUD-Twenty-Eight:							
Administrative project costs	270,205	—	264,959	264,959	5,246	—	5,246
Other project costs	302,937	—	236,715	236,715	66,222	—	66,222
HOME program grant	940,920	—	—	—	940,920	—	940,920
Rehabilitation	103,922	—	46,092	46,092	57,830	—	57,830
Environmental grants	96,431	—	86,973	86,973	9,458	—	9,458
Finance grant	31,708	—	21,910	21,910	9,798	—	9,798
Section 108 debt service	420,000	—	352,321	352,321	67,679	—	67,679
Total HUD-Twenty-Eight	2,166,123	—	1,008,970	1,008,970	1,157,153	—	1,157,153
Total expenditures and encumbrances	\$ 11,750,156	7,148,535	1,510,363	8,658,898	3,091,258	3,400	3,087,858

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Interagency Consortium Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
Public welfare:							
Contract services	\$ 3,626,864	3,157,681	–	3,157,681	469,183	–	469,183
Administrative expenses	218,089	208,399	–	208,399	9,690	–	9,690
Total expenditures and encumbrances	\$ 3,844,953	3,366,080	–	3,366,080	478,873	–	478,873

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Community Corrections Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES							
General government:							
Diversion services	\$ 239,488	231,109	–	231,109	8,379	10,924	(2,545)
Pre-trial services	258,398	194,705	–	194,705	63,693	3,609	60,084
Total expenditures and encumbrances	\$ 497,886	425,814	–	425,814	72,072	14,533	57,539

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Animal Control Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - Public safety	\$ 878,266	854,200	–	854,200	24,066	–	24,066
Total expenditures and encumbrances	\$ 878,266	854,200	–	854,200	24,066	–	24,066

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

School Community Health Fees Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - General government	\$ 33,881	20,493	–	20,493	13,388	–	13,388
Total expenditures and encumbrances	\$ 33,881	20,493	–	20,493	13,388	–	13,388

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Fee Supported Activities Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - Public Safety	\$ 207,822	63,956	–	63,956	143,866	6,360	137,506
Total expenditures and encumbrances	\$ 207,822	63,956	–	63,956	143,866	6,360	137,506

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

Grants Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2003

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Year	Current Year	Total Expenditures			
EXPENDITURES							
General government	\$ 5,149,738	1,663,980	1,100,951	2,764,931	2,384,807	199,475	2,185,332
Public safety	7,742,711	4,756,461	1,892,023	6,648,484	1,094,227	128,601	965,626
Parks	369,548	177,090	109,013	286,103	83,445	–	83,445
Public welfare	3,363,444	193,657	637,552	831,209	2,532,235	17,493	2,514,742
Total expenditures and encumbrances	\$ 16,625,441	6,791,188	3,739,539	10,530,727	6,094,714	345,569	5,749,145

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 Q-1

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2003

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and temporary investments	\$ 305,304	382,355	860,707	1,548,366
Receivables:				
Accounts	1,118	8,000	1,512	10,630
Inventory of materials and supplies	2,223	-	4,510	6,733
Total current assets	308,645	390,355	866,729	1,565,729
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	132,687	365,447	546,677
Infrastructure	-	4,987,390	-	4,987,390
Less accumulated depreciation	(52,534)	(3,016,843)	(117,081)	(3,186,458)
Total capital assets, net of accumulated depreciation	69,802	2,506,552	259,188	2,835,542
Total noncurrent assets	69,802	2,506,552	259,188	2,835,542
Total assets	\$ 378,447	2,896,907	1,125,917	4,401,271
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 2,247	5,443	267,834	275,524
Accrued expenses and other liabilities	455	7,564	45	8,064
Deferred revenues	7,280	-	34,991	42,271
Current portion of accrued vacation, sick pay, and overtime leave	807	24,321	2,522	27,650
Total current liabilities	10,789	37,328	305,392	353,509
Noncurrent liabilities:				
Accrued vacation, sick pay, and overtime leave	900	27,870	2,891	31,661
Total liabilities	11,689	65,198	308,283	385,170
Net Assets				
Invested in capital assets, net of related debt	69,802	2,506,552	259,188	2,835,542
Unrestricted	296,956	325,157	558,446	1,180,559
Total net assets	366,758	2,831,709	817,634	4,016,101
Total liabilities and net assets	\$ 378,447	2,896,907	1,125,917	4,401,271

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2003

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services:				
Tolls and tickets	\$ -	1,102,159	-	1,102,159
Recreation fees	105,798	-	574,164	679,962
Other	-	2,075	-	2,075
Total operating revenues	105,798	1,104,234	574,164	1,784,196
OPERATING EXPENSES				
Purchases for resale	7,715	-	34,809	42,524
Other salaries and wages	37,100	434,100	85,094	556,294
Other fringe benefits	10,869	143,066	18,056	171,991
Other repairs and supplies	9,177	21,599	153,321	184,097
Other contractual services	-	-	265	265
Depreciation and amortization	3,684	164,578	12,543	180,805
Recreation	-	-	272,514	272,514
Other	28,025	142,478	14,371	184,874
Total operating expenses	96,570	905,821	590,973	1,593,364
Operating income (loss)	9,228	198,413	(16,809)	190,832
NONOPERATING REVENUE				
Investment income	3,349	4,183	9,434	16,966
Income (loss) before transfers	12,577	202,596	(7,375)	207,798
Transfers out	(11,302)	(404,183)	(9,434)	(424,919)
Increase (decrease) in net assets	1,275	(201,587)	(16,809)	(217,121)
Total net assets - beginning	365,483	3,033,296	834,443	4,233,222
Total net assets - ending	\$ 366,758	2,831,709	817,634	4,016,101

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2003

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 107,250	1,133,077	572,867	1,813,194
Payments to suppliers	(44,245)	(163,889)	(218,811)	(426,945)
Payments to employees	(48,342)	(582,157)	(104,440)	(734,939)
Net cash provided by operating activities	14,663	387,031	249,616	651,310
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(7,953)	(400,000)	-	(407,953)
Net cash used in noncapital financing activities	(7,953)	(400,000)	-	(407,953)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(263,039)	(263,039)
Repayment to the General Fund	-	(303,000)	-	(303,000)
Net cash used in capital and related financing activities	-	(303,000)	(263,039)	(566,039)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	3,349	4,183	9,434	16,966
Transfers out	(3,349)	(4,183)	(9,434)	(16,966)
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and temporary investments	6,710	(315,969)	(13,423)	(322,682)
Cash and temporary investments beginning of year	298,594	698,324	874,130	1,871,048
Cash and temporary investments end of year	\$ 305,304	382,355	860,707	1,548,366

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3, Continued

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2003

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 9,228	198,413	(16,809)	190,832
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,684	164,578	12,543	180,805
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	953	28,843	(1,394)	28,402
Inventory of materials and supplies	114	-	694	808
Accounts payable	558	188	255,775	256,521
Deferred revenues	499	-	97	596
Accrued expenses and other liabilities	62	510	45	617
Accrued vacation, sick pay, and overtime leave	(435)	(5,501)	(1,335)	(7,271)
Total adjustments	5,435	188,618	266,425	460,478
Net cash provided by operating activities	\$ 14,663	387,031	249,616	651,310

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Internal Service Funds

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

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

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



Combining Statement of Net Assets

Internal Service Funds

June 30, 2003

	Information Technology	City Garage	Self- Insurance	Total
ASSETS				
Current assets:				
Cash and temporary investments	\$ 1,202,967	4,625,301	16,988,173	22,816,441
Receivables:				
Accounts	-	83,022	-	83,022
Interest	-	-	12,669	12,669
Inventory of materials and supplies	-	325,488	-	325,488
Prepaid expenses	216	-	744,708	744,924
Total current assets	1,203,183	5,033,811	17,745,550	23,982,544
Noncurrent assets:				
Capital assets:				
Buildings	-	117,649	20,930	138,579
Improvements other than buildings	228,124	177,814	-	405,938
Equipment and vehicles	4,988,193	52,222,983	66,333	57,277,509
Less accumulated depreciation	(4,173,885)	(33,943,327)	(74,365)	(38,191,577)
Total capital assets, net of accumulated depreciation	1,042,432	18,575,119	12,898	19,630,449
Total noncurrent assets	1,042,432	18,575,119	12,898	19,630,449
Total assets	\$ 2,245,615	23,608,930	17,758,448	43,612,993
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 244,808	697,092	2,951	944,851
Current portion of obligations under capital leases	-	1,673,150	-	1,673,150
Current portion of notes payable	71,216	-	-	71,216
Current portion of accrued vacation, sick pay, and overtime leave	111,984	59,064	3,311	174,359
Current portion of liability for self-insurance losses	-	-	3,326,388	3,326,388
Total current liabilities	428,008	2,429,306	3,332,650	6,189,964
Noncurrent liabilities:				
Obligations under capital leases	-	3,969,863	-	3,969,863
Notes payable	121,849	-	-	121,849
Accrued vacation, sick pay, and overtime leave	128,324	67,682	3,795	199,801
Advances from the General Fund	-	297,854	-	297,854
Liability for self-insurance losses	-	-	13,305,554	13,305,554
Total noncurrent liabilities	250,173	4,335,399	13,309,349	17,894,921
Total liabilities	678,181	6,764,705	16,641,999	24,084,885
Net Assets				
Invested in capital assets, net of related debt	849,367	12,932,106	12,898	13,794,371
Unrestricted	718,067	3,912,119	1,103,551	5,733,737
Total net assets	1,567,434	16,844,225	1,116,449	19,528,108
Total liabilities and net assets	\$ 2,245,615	23,608,930	17,758,448	43,612,993

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Internal Service Funds
 Year Ended June 30, 2003

	Information Technology	City Garage	Self- Insurance	Total
OPERATING REVENUES				
Billings to departments	\$ 5,459,161	11,080,655	4,730,724	21,270,540
Other	-	151,942	-	151,942
Total operating revenues	5,459,161	11,232,597	4,730,724	21,422,482
OPERATING EXPENSES				
Cost of materials billed	-	3,555,174	-	3,555,174
Other salaries and wages	2,460,712	1,481,174	118,502	4,060,388
Other fringe benefits	695,099	456,753	34,902	1,186,754
Self-insurance losses	-	-	3,969,842	3,969,842
Indemnity and medical claims	-	-	1,849,062	1,849,062
Other repairs and supplies	519,972	1,044,763	1,867	1,566,602
Equipment rental	302,846	8,505	926	312,277
Other contractual services	280,716	75,949	45,507	402,172
Depreciation and amortization	397,360	3,835,922	1,778	4,235,060
Insurance premiums	37,959	85,660	957,392	1,081,011
Other	523,285	278,655	46,037	847,977
Total operating expenses	5,217,949	10,822,555	7,025,815	23,066,319
Operating income (loss)	241,212	410,042	(2,295,091)	(1,643,837)
NONOPERATING REVENUES (EXPENSES)				
Investment income	15,639	47,458	314,619	377,716
Interest expense	(3,810)	(344,570)	-	(348,380)
Loss on sale of equipment	(17,071)	(37,837)	-	(54,908)
Total nonoperating revenues (expenses)	(5,242)	(334,949)	314,619	(25,572)
Income (loss) before transfers	235,970	75,093	(1,980,472)	(1,669,409)
Transfers in	52,259	1,231,618	-	1,283,877
Transfers out	(120,404)	(91,704)	-	(212,108)
Increase (decrease) in net assets	167,825	1,215,007	(1,980,472)	(597,640)
Total net assets - beginning	1,399,609	15,629,218	3,096,921	20,125,748
Total net assets - ending	\$ 1,567,434	16,844,225	1,116,449	19,528,108

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2003

	Information Technology	City Garage	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,459,258	11,191,304	4,730,724	21,381,286
Payments to suppliers	(1,697,138)	(4,460,714)	(4,653,543)	(10,811,395)
Payments to employees	(3,161,979)	(1,947,643)	(172,028)	(5,281,650)
Net cash provided by (used in) operating activities	600,141	4,782,947	(94,847)	5,288,241
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	52,259	-	-	52,259
Transfers out	(104,765)	(44,246)	-	(149,011)
Net cash used in noncapital financing activities	(52,506)	(44,246)	-	(96,752)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from notes payable	465,320	-	-	465,320
Proceeds from capital leases	-	1,472,017	-	1,472,017
Transfers in	-	1,231,618	-	1,231,618
Acquisition of capital assets	(711,947)	(3,307,732)	-	(4,019,679)
Interest paid	(3,810)	(344,570)	-	(348,380)
Repayments of obligations under capital leases	-	(1,425,677)	-	(1,425,677)
Repayments of notes payable	(279,855)	(1,675,888)	(5,105)	(1,960,848)
Net cash used in capital and related financing activities	(530,292)	(4,050,232)	(5,105)	(4,585,629)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	15,639	47,458	367,993	431,090
Transfers out	(15,639)	(47,458)	-	(63,097)
Net cash provided by investing activities	-	-	367,993	367,993
Net increase in cash and temporary investments	17,343	688,469	268,041	973,853
Cash and temporary investments beginning of year	1,185,624	3,936,832	16,720,132	21,842,588
Cash and temporary investments end of year	\$ 1,202,967	4,625,301	16,988,173	22,816,441

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3, Continued

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2003

	Information Technology	City Garage	Self- Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 241,212	410,042	(2,295,091)	(1,643,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	397,360	3,835,922	1,778	4,235,060
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	97	(41,293)	-	(41,196)
Prepaid expenses	-	-	(84,732)	(84,732)
Inventory of materials and supplies	-	84,187	-	84,187
Accounts payable	(32,360)	503,805	2,880	474,325
Accrued vacation, sick pay, and overtime leave	(6,168)	(9,716)	(18,624)	(34,508)
Liability for self-insurance losses	-	-	2,298,942	2,298,942
Total adjustments	358,929	4,372,905	2,200,244	6,932,078
Net cash provided by (used in) operating activities	\$ 600,141	4,782,947	(94,847)	5,288,241

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Other Component Units

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



CITY OF CHESAPEAKE, VIRGINIA*Schedule S-1*

Combining Balance Sheet and Statement of Net Assets

Other Component Units

June 30, 2003

	Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 3,301,887	4,452
Inventory of materials and supplies	227,043	-
Total current assets	3,528,930	4,452
Total assets	\$ 3,528,930	4,452
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ 184,668	-
Total current liabilities	184,668	-
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	184,668	944,407
Fund Balance:		
Reserved:		
Encumbrances	21,175	-
Inventory	227,043	-
Unreserved	3,096,044	-
Net Assets		
Unrestricted	-	(939,955)
Total net assets	3,344,262	(939,955)
Total liabilities and net assets	\$ 3,528,930	4,452
Reconciliation to Net Assets:		
Total fund balance	\$ 3,344,262	
Capital assets - net of depreciation	1,799,553	
Net Assets	\$ 5,143,815	

CITY OF CHESAPEAKE, VIRGINIA*Schedule S-2*

Statement of Revenues, Expenditures, and Changes in Fund Balance

Other Component Units

Year Ended June 30, 2003

	Mosquito Control Commission	
REVENUES		
Property taxes	\$	3,421,909
Investment income		39,048
Other		125,800
Total revenues		3,586,757
EXPENDITURES		
Other salaries and wages		1,667,241
Other fringe benefits		549,604
Other repairs and supplies		564,451
Insurance premiums		225,538
Capital outlay		720,671
Other		144,296
Total expenditures		3,871,801
Deficiency of revenues under expenditures		(285,044)
Fund balance - beginning		3,741,450
Decrease in fund balance reserved for inventory		(112,144)
Fund balance - ending	\$	3,344,262

Reconciliation to Change in Net Assets:

Governmental funds report capital outlays as expenditures. However, when reporting net assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, gains on disposal of assets are not reported in governmental funds, but are reported as revenues when reporting net assets.

Change in fund balance	\$	(397,188)
Depreciation expense		(118,579)
Gain on disposal of assets		8,498
Capital outlay expenditures		720,671
Sale of assets		(119,971)
Change in Net Assets	\$	93,431

CITY OF CHESAPEAKE, VIRGINIA*Schedule S-3*

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Other Component Units

Year Ended June 30, 2003

	Chesapeake Port Authority
NONOPERATING REVENUES	
Investment income	\$ 99
Total nonoperating revenues	99
Increase in net assets	99
Net assets - beginning	(940,054)
Net assets - ending	\$ (939,955)

CITY OF CHESAPEAKE, VIRGINIA*Schedule S-4*

Statement of Cash Flows

Other Component Units

Year Ended June 30, 2003

	Chesapeake Port Authority	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Due to primary government	\$	(66)
Net cash used in capital and related financing activities		(66)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		99
Net cash provided by investing activities		99
Net increase in cash and temporary investments		33
Cash and temporary investments beginning of year		4,419
Cash and temporary investments end of year	\$	4,452

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STATISTICAL SECTION



CITY OF CHESAPEAKE, VIRGINIA

Table 1

General Governmental Expenditures by Function (1), (2), (5)
Last Ten Fiscal Years - Unaudited

Fiscal Year		General Government (3)	Public Safety	Public Welfare	Education (4)	Public Works	Debt Service	Total Expenditures
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
2003		91,041,930	65,087,140	33,008,012	300,443,272	38,551,088	45,366,637	573,498,079

- (1) Includes the following funds: General, Special Revenue, Debt Service , Permanent, Mosquito Control Commission - 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 Commission - component unit.
- (4) Source for Education expenditures: Chesapeake Public Schools Comprehensive Annual Financial Report.
- (5) Transfer from City of Chesapeake to Chesapeake Public Schools is not included.

CITY OF CHESAPEAKE, VIRGINIA

Table 2

General Governmental Expenditures by Function
 Payroll, Capital Outlay, and Other Expenditures (1) (2) (4) (5)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	General Government (3)	Public Safety	Public Welfare	Education (4)	Public Works	Debt Service	Total Expenditures
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
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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 2, Continued

General Governmental Expenditures by Function
 Payroll, Capital Outlay, and Other Expenditures (1) (2) (4) (5)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	General Government	(3)	Public Safety	Public Welfare	Education	(5)	Public Works	Debt Service	Total Expenditures
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
2003:									
Payroll	\$ 43,266,937		41,249,148	13,194,511	193,446,796		11,840,319	-	302,997,711
Capital Outlay	779,145		478,504	91,576	3,255,591		2,021,807	-	6,626,623
Other Expenditures	46,995,848		23,359,488	19,721,925	103,740,885		24,688,962	45,366,637	263,873,745
Total	\$ 91,041,930		65,087,140	33,008,012	300,443,272		38,551,088	45,366,637	573,498,079

- (1) Includes the following funds: General, Special Revenue, Debt Service, Permanent, Mosquito Control Commission - 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 Commission - component unit.
- (4) Source for Education expenditures: Chesapeake Public Schools Comprehensive Annual Financial Report.
- (5) 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)
Last Ten Years - Unaudited

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental (2)	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Total
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
2003	285,685,428	1,969,790	267,236,375	17,368,068	2,416,446	1,718,764	6,711,024	583,105,895

(1) Includes the following funds: General, Debt Service, Other Governmental (Special Revenue and Permanent), Mosquito Control Commission - component unit, and Public 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) Source of Schools' revenues: Chesapeake Public Schools Comprehensive Annual Financial Report. Revenue reported is as follows:

Fiscal Year	Intergovernmental	Charges for Services	Interest	Misc.	Total
2003	\$ 171,171,599	6,007,050	77,423	1,224,612	178,480,684

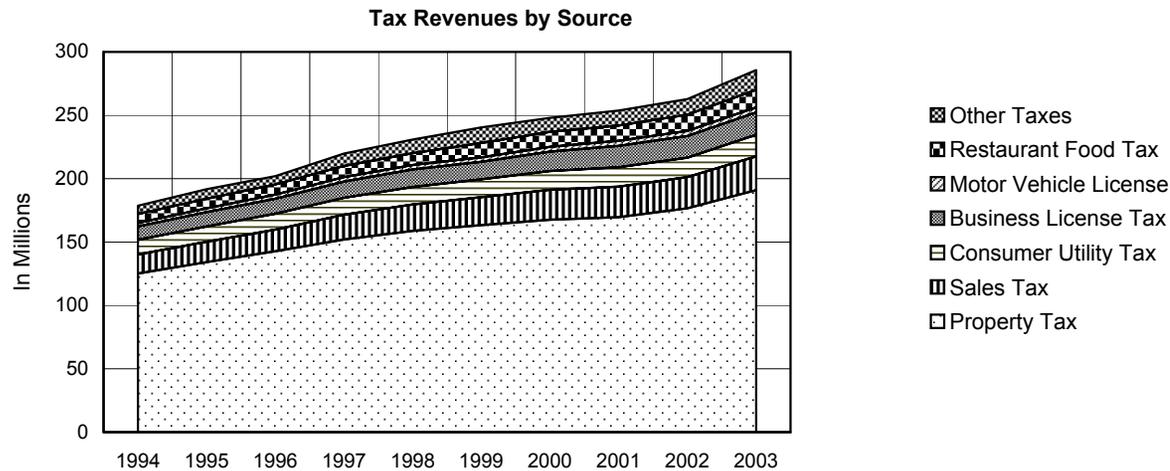
CITY OF CHESAPEAKE, VIRGINIA

Table 4

General Governmental Tax Revenues by Source (1)
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
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
2003	191,031,223	26,452,698	17,200,898	17,532,069	4,094,224	13,721,782	15,652,534	285,685,428

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



CITY OF CHESAPEAKE, VIRGINIA

Table 5

Analysis of School Operating Fund Revenues and 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
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	41.38%	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
2003	15,223,814	5.26%	151,511,874	52.33%	2,008,222	0.69%	120,793,637	41.72%	289,537,547

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

(2) Impact Funds (Public Law 874) for 1994 through 2003 are as follows:

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
1998	1,352,181	2003	3,085,121

(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

Table 6

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

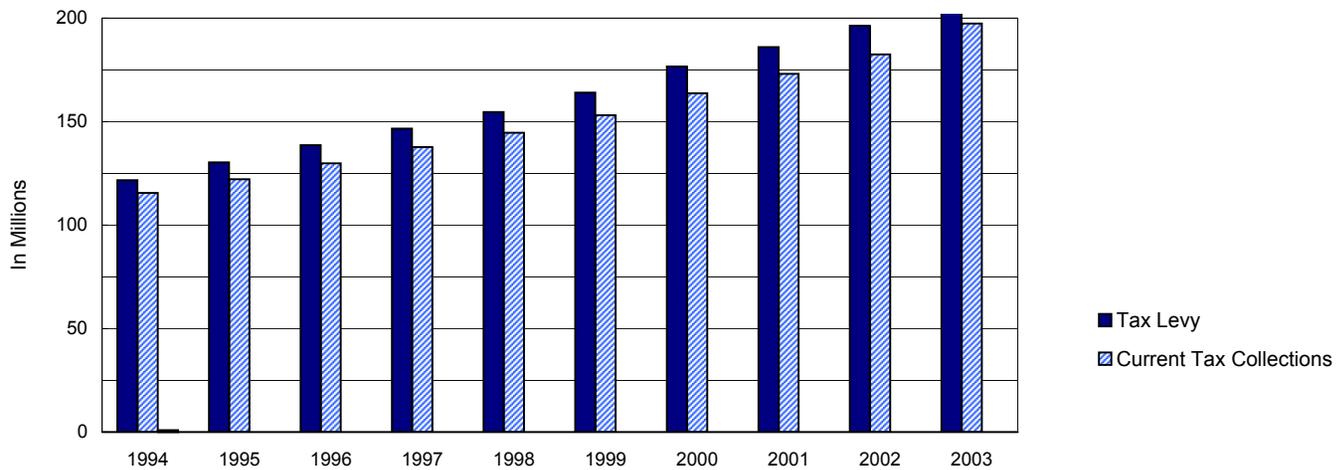
Fiscal Year	Total Tax Levy	Current Tax Collections (2) (3)	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes (1)	Ratio of Delinquent Taxes to Total Tax Levy
1994	\$ 121,740,298	115,477,995	94.86%	\$ 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	92.95%	16,894,630	199,333,912	101.56%	8,384,422	4.27%
2003	209,091,303	197,419,119	94.42%	16,737,939	214,157,058	102.42%	7,949,957	3.80%

(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 Commission - component unit.

Yearly Tax Levies Compared With Current Year Collections



CITY OF CHESAPEAKE, VIRGINIA

Table 7

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

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	
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%
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%
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%
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%
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%
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%
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%
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%
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%
2003	12,119,195,740	12,119,195,740	1,374,652,783	1,374,652,783	13,493,848,523	13,493,848,523	100.00%

CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Rates
Last Ten Fiscal Years - Unaudited

Fiscal Year	REAL PROPERTY (1) (2)	PERSONAL PROPERTY (3) (4)										
		Motor Vehicles	Motor Vehicles Disabled Vets (5) (8)	Motor Carriers (6)	Recreation Vehicles (6)	Handicap Vehicle (7) (8)	Boats	Business	Mobile Homes (9)	Machinery & Tools	Farm	Airplanes
1994	\$ 1.29	4.00					1.50	4.00	1.285	3.12	4.00	4.00
1995	1.27	4.00					1.50	4.00	1.270	3.12	4.00	4.00
1996	1.26	4.00		3.12	1.50		1.50	4.00	1.260	3.12	4.00	4.00
1997	1.26	4.00	1.50	3.12	1.50		1.50	4.00	1.260	3.12	4.00	4.00
1998	1.26	4.00	1.50	3.12	1.50	1.50	1.50	4.00	1.260	3.12	4.00	0.50
1999	1.26	4.00	0.01	3.12	1.50	0.01	1.50	4.00	1.260	3.12	4.00	0.50
2000	1.26	4.00	0.01	3.12	1.50	0.01	1.50	4.00	1.260	3.12	4.00	0.50
2001	1.26	4.00	0.01	3.12	1.50	0.01	1.50	4.00	1.260	3.12	4.00	0.50
2002	1.26	4.00	0.01	3.12	1.50	0.01	1.50	4.00	1.260	3.12	4.00	0.50
2003	1.26	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)
1994	\$ 86,424,782	20,428,062	-	-	-	-	177,082	3,916,413	158,153	2,224,993	79,265	25,997
1995	90,213,353	24,484,701	-	-	-	-	216,103	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	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	153,509	2,458,195	101,244	27,868
1998	106,940,502	29,880,970	134,486	130,808	18,051	472	224,513	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	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	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	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	159,110	2,371,407	100,679	19,458
2003	145,107,682	42,472,194	298,298	259,567	-	-	332,763	7,948,489	172,051	2,399,467	104,042	15,919

- (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

Table 10

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)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
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
2003	207,199	13,493,848,523	452,867,724	22,072,376	70,960,117	359,835,231	2.67%	1,736.66

(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, 2003

Assessed valuation - real estate		\$	12,119,195,740 *
Legal debt limit:			
10% of assessed valuation		\$	1,211,919,574
Amount of debt applicable to legal debt limit:			
Total bonded debt	\$549,502,724		
Add: Long-term payables	1,001,140		
Less: Self-supporting debt	(96,635,000)		
Amount available for repayment	(22,072,376)		431,796,488
Legal debt margin available		\$	780,123,086
Percent of:			
Legal debt margin outstanding	35.6%		
Legal debt margin available	64.4%		
	100.0%		
Summary of assessed valuation:			
Public service real estate		\$	777,693,522
Other City real estate			11,341,502,218
		\$	12,119,195,740

*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 Governmental 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
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%
2003	573,498,079	41,536,122	7.24%

(1) This table includes the expenditures from the following funds: General, Special Revenue, Permanent, Mosquito Control Commission - 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

CITY OF CHESAPEAKE, VIRGINIA

Table 13

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)	
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
2003	34,453,540	23,536,100	10,917,440	2,911,246	3,918,004	6,829,250	1.60

(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
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%
2003	357,571,178	52,409,607	14.66%

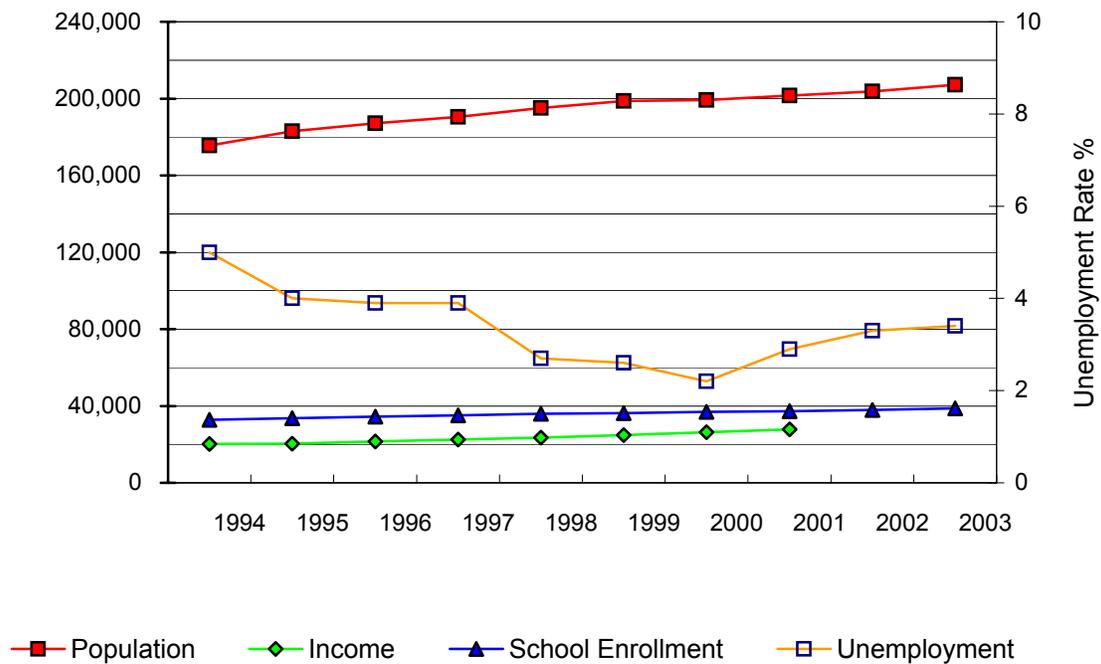
(1) Includes local revenues of the following funds: General*, Special Revenue*, Permanent*, Debt Service*, Public Schools - component unit*, Mosquito Control Commission - component unit*, Public Utilities Fund, and Chesapeake Expressway Fund. Prior to 2002 Permanent Funds were not included. Excluded 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)
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	24,849	36,242	2.6%
2000	199,184	26,389	36,920	2.2%
2001	201,636	27,807	37,264	2.9%
2002	203,738	n/a	37,878	3.3%
2003	207,199	n/a	38,788	3.4%

- (1) Planning Department (Hampton Roads Planning District Commission and Bureau of Economic Analysis). Information currently unavailable for 2002 and 2003.
- (2) Per Chesapeake Public Schools Administration.
- (3) Virginia Employment Commission (Reflects an average unemployment rate for the calendar year).
- (4) Chesapeake Planning Board estimate.



CITY OF CHESAPEAKE, VIRGINIA

Table 16

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

Year	Commercial Construction (1)		Residential Construction (1)		Total Construction		Bank Deposits	Property Value * (1)		
	No. of Units	Value	No. of Units	Value	No. of Units	Value		Commercial	Residential	Non-Taxable
1994	101	\$ 33,809,900	3,973	\$ 225,066,600	4,074	\$ 258,876,500	907,269,000	1,881,166,974	4,719,447,289	728,105,300
1995	124	42,896,200	3,510	199,236,200	3,634	242,132,400	986,587,000	1,898,680,614	5,071,203,186	820,871,500
1996	141	80,036,800	3,231	156,806,600	3,372	236,843,400	1,028,474,000	2,021,694,560	5,432,228,313	846,002,500
1997	160	73,594,900	3,502	187,780,600	3,662	261,375,500	1,017,330,000	2,094,270,702	5,795,294,578	877,499,100
1998	183	79,374,500	3,218	154,834,400	3,401	234,208,900	1,072,924,000	2,172,967,300	6,185,781,053	856,091,600
1999	144	103,907,500	3,359	192,079,100	3,503	295,986,600	1,066,067,000	2,341,175,149	6,415,262,026	1,042,747,000
2000	152	92,214,600	3,134	189,364,000	3,286	281,578,600	1,151,442,000	2,531,900,272	6,770,471,162	1,078,568,300
2001	129	88,141,800	2,864	163,181,700	2,993	251,323,500	1,225,766,000	2,661,931,401	7,158,197,517	1,117,784,200
2002	139	96,946,300	2,936	168,226,900	3,075	265,173,200	1,356,133,000	2,831,790,373	7,695,989,926	1,128,664,100
2003	131	53,473,000	2,973	219,333,300	3,104	272,806,300	See (2)	2,980,057,518	8,361,444,700	1,219,596,700

* Estimated Actual Value

(1) Source: Real Estate Assessor

(2) FDIC - Information available through June 30, 2002.

CITY OF CHESAPEAKE, VIRGINIA

Table 17

Principal Taxpayers
June 30, 2003 - Unaudited

Name of Business	Type of Business	Real Property Assessed Value	% of Total Assessed Value (1)
Dominion Virginia Power	Electric Utility	\$447,062,401	3.69%
Greenbrier Mall Partners LP	Shopping Mall	98,339,100	0.81%
Chesapeake Mall LLC	Shopping Mall	79,433,500	0.66%
CP Venture Two LLC	Shopping Center	56,903,600	0.47%
JLP-Chesapeake LLC	Retail and Vacant Land	36,079,900	0.30%
Woodlake Co Limited Partnership	Apartment Complex	32,138,000	0.27%
Crossways Associates LLC	Office Bldgs. & Shopping Center	29,515,500	0.24%
Dollar Tree Distribution, Inc.	Distribution Center	25,810,000	0.21%
Mitsubishi Kasei America, Inc.	Manufacturing	24,847,700	0.20%
Chesapeake Center Associates	Shopping Center	18,440,000	0.15%
TOTAL		\$848,569,701	7.00%

(1) Total assessed valuation of real estate for FY 2003 was \$12,119,195,740 which includes Public Service Corporation property, as of June 30, 2003.

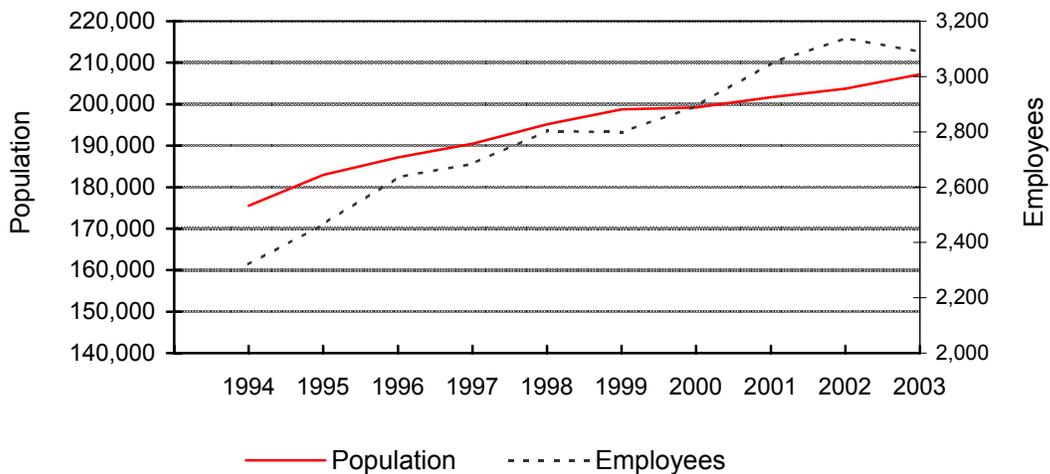
Source: Real Estate Assessor

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (1)	Total Employees	Employees Per 1,000 Population
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
2003	207,199	3,090	14.9

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

Population and Employee Figures



CITY OF CHESAPEAKE, VIRGINIA

Table 19

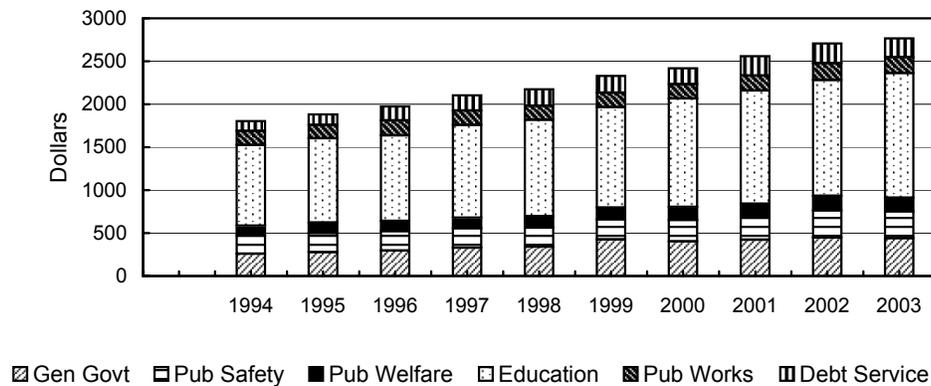
Governmental Expenditures Per Capita (1), (2)
 Last Ten Fiscal Years - Unaudited

Fiscal Year	Population	General Gov't	Public Safety	Public Welfare	Education	Public Works	Debt Service	Total
1994	175,501	\$ 259	210	118	941	162	113	1,803
1995	182,951	278	223	122	980	157	123	1,883
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
2003	207,199	439	314	159	1,450	186	219	2,767

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

(2) Source - Table 1

Per Capita Expenditures



CITY OF CHESAPEAKE, VIRGINIA

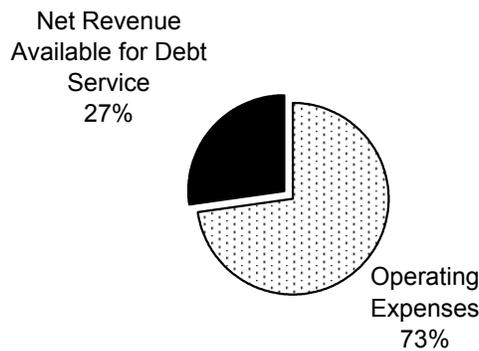
Table 20

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)	
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
2003	32,372,879	23,536,100	8,836,779	700,000	1,090,046	1,790,046	4.94

- (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.

For Year Ended June 30, 2003



CITY OF CHESAPEAKE, VIRGINIA*Table 21*

Computation of Direct and Overlapping Bonded Debt

General Obligation Bonds

June 30, 2003 - Unaudited

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$381,907,607 (1)	100.00%	\$381,907,607
Overlapping:			
None	-		-
TOTAL	\$381,907,607		\$381,907,607

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

CITY OF CHESAPEAKE, VIRGINIA

Table 22

Miscellaneous Statistics
June 30, 2003

Date of Incorporation	January 1963
Form of Government	Council-Manager
Number of registered voters	117,083
Number of Employees (Full Time)	3,090
Area in square miles	353
Miles of streets	2,185
Number of street lights	21,446
Culture and Recreation:	
Community centers	7
Specialized centers	4
Parks and play areas	65
Park acreage	2,042
Athletic fields and tennis courts	211
Public Safety:	
Number of Fire Stations	15
Number of Fire Personnel and Officers	404
Number of calls answered for Fire Protection Services	22,421
Number of Police Stations	5
Number of Police Personnel and Officers	500
Number of Patrol Units	214
Number of calls for Police Service	156,002
Part I Law Violations	10,125
Number of Adult Criminal Charges	14,879
Number of Physical & Traffic arrests	55,324
Number of DUI arrests	823
Water & Sewer:	
Miles of sanitary sewers	968
Sewage pumping stations	248
Number of service connections	55,361
Miles of water mains	761
Number of service connections	57,210
Number of fire hydrants	4,358
Daily average consumption in gallons (in mgd)	15
Daily average water provided by Chesapeake (in mgd)	9
Education:	
Number of elementary schools	28
Number of elementary school instructors	1,569
Number of secondary schools	16
Number of secondary school instructors	1,065
Number of educational centers	3

COMPLIANCE SECTION



Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

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	\$ 81,050	81,224
Pass-through payments:			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	10.561	1,308,360	1,308,360
Department of Education:			
School Breakfast Program	10.553	766,484	729,972
National School Lunch Program	10.555	3,022,007	2,861,529
Schools and Roads - Grants to States	10.665	17,455	17,455
Department of Agriculture and Consumer Services:			
Food Distribution - commodities value - Schools' Food Services	10.555	479,852	514,202
Food Distribution - commodities value - Detention Home	10.555	11,208	11,208
Food Distribution - commodities value - Parks and Recreation	10.550	3,808	3,808
Department of Corrections:			
National School Breakfast and Lunch Programs	10.553	102,834	206,162
Department of Forestry:			
Cooperative Forestry Assistance	10.664	10,532	8,153
		5,803,590	5,742,073
Department of Housing and Urban Development:			
Direct payments:			
Community Development Block Grant Program:			
Program year 1998	14.218	-	1,463
Program year 1999	14.218	-	105,242
Program year 2000	14.218	549,724	663,982
Program year 2001	14.218	1,601,969	253,500
Program year 2002	14.218	35,973	1,215,355
HOME Investment Partnerships Program	14.239	117,032	402,506
		2,304,698	2,642,048
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	139,095	139,095
Block Grants for Prevention and Treatment of Substance Abuse	93.959	839,807	839,807
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	4,915	5,145
Department of Social Services:			
Promoting Safe and Stable Families	93.556	213,086	212,332
Temporary Assistance for Needy Families	93.558	1,208,102	1,208,102
Child Support Enforcement	93.563	19,554	11,172
Refugee and Entrant Assistance - State Administered Program	93.566	836	836
Low Income Home Energy Assistance	93.568	36,032	36,032
Payments to States for Child Care Assistance	93.575	1,080,552	1,088,979
Child Care & Development Fund	93.596	989,477	989,477
Adoption Incentive	93.603	3,632	3,632
Foster Care-Title IV-E	93.658	2,923,927	1,608,708
Adoption Assistance	93.659	230,010	234,802
Social Services Block Grant	93.667	1,036,028	1,036,028
Respite Care for Foster Families	93.667	1,934	2,265
Independent Living	93.674	16,964	16,964
Medical Assistance Program (Medical: Title XIX)	93.778	586,321	586,321
Division of Child Support Enforcement:			
Child Support Dead File	93.564	52,038	79,529
		9,382,310	8,099,226

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

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	15.XXX	\$	60,364	60,364
U.S. Fish and Wildlife Service - Court Services Grant	15.614		19,496	19,452
			79,860	79,816
Department of Labor:				
Pass-through payments - Opportunity Incorporated of Hampton Roads -				
WIA Youth Activities	17.259		65,585	65,585
Welfare to Work	17.253		149,092	146,921
			214,677	212,506
Department of Justice:				
Direct payments:				
Drug Control and System Improvement -				
Forfeited Asset Sharing Program - Drug Enforcement	16.579		91,636	91,636
Local Law Enforcement Block Grant	16.592		200,273	381,345
Office of Community Oriented Policing Services - Public Safety -				
Partnership and Community Policing Grants	16.710		932,624	859,126
Pass-through payments:				
Bureau of Justice Assistance:				
Juvenile Account Incentive Block Grant	16.523		74,819	74,819
Victim Witness Assistance Grant Program	16.575		245,608	245,984
Drug Control and System Improvement	16.579		563	563
Community Police DUI Enforcement	16.597		3,537	3,510
			1,549,060	1,656,983
U.S. Department of Transportation:				
Pass-through payments:				
Department of Motor Vehicles - Alcohol Traffic Safety and				
Drunk Driving Prevention Incentive Grants	20.600		12,305	12,218
Virginia Department of Transportation:				
The Great Dismal Swamp Corridor Master Plan	20.205		-	420
Federal Highway Administration - Planning and Construction	20.205		61,274	73,641
Virginia Department of Emergency Management:				
Hazardous Materials Emergency Preparedness	20.703		21,838	16,766
			95,417	103,045
Environmental Protection Agency				
Direct Payments				
Vulnerability Assessment & Related Securities Improvement	66.476		114,469	114,469
			114,469	114,469
Federal Emergency Management Agency:				
Pass-through payments:				
Department of Emergency Services:				
Project Impact	83.551		61,887	67,245
Community Emergency Response Team	83.552		35,000	-
Assistance to Firefighters	83.554		89,807	10,649
Disaster Relief Public Assistance- Hurricane Floyd	83.544		192,674	192,674
All Hazards Emergency Operations Planning	83.548		42,130	-
Citizen Corps	83.564		5,000	-
			426,498	270,568

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number		Revenue/ Contributions to Capital	Expenditures
Department of Education:				
Direct payments:				
Impact Aid	84.041	\$	3,085,121	3,085,121
Pass-through payments:				
Adult Education - State Grant Program	84.002		217,340	217,340
Education Consolidation and Improvement Act of 1981:				
Title I - Grants to local educational agencies	84.010		3,511,029	3,513,225
ESEA Chapter II	84.298		303,544	294,911
Special Education - Grants to states	84.027		5,483,061	5,480,991
Special Education - Preschool grants	84.173		237,996	237,996
Improving Teacher Quality	84.367		1,258,480	1,251,545
Department of Mental Health, Mental Retardation and Substance Abuse:				
Special Education - Grants for infants and families with disabilities	84.181		279,529	284,507
Vocational Education:				
Basic grants to states	84.048		605,989	605,989
Consumer and homemaking	84.049		24,000	24,000
Special Projects:				
Safe and Drug-Free Schools	84.186		191,303	196,282
Goals 2000	84.276		9,451	3,652
Advanced Placement Incentive Program	84.330		2,225	2,225
Comprehensive School Reform Demonstration	84.332		124,970	63,090
Limited English	84.365		18,644	14,269
Education Thru Technology	84.318		141,158	130,062
Tech Literacy Challenge	84.318		64	-
			15,493,904	15,405,205
		\$	35,464,483	34,325,939

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to Financial Statements

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

Intergovernmental revenues per the basic financial statements:

Primary government:	
General Fund	\$ 349,674
Special Revenue Funds:	
Virginia Public Assistance Fund	7,744,103
Interagency Consortium	129,935
Community Development Fund	2,304,698
Grants Fund	4,087,721
Community Services Fund	1,258,431
Capital Projects Fund	55,972
Enterprise Funds:	
Chesapeake Expressway Fund	5,302
Total primary government	15,935,836
Component Unit Public Schools:	
School Operating Fund	15,223,814
School Food Services Fund	4,268,342
Total component unit Public Schools	19,492,156
Total federal expenditures from intergovernmental revenue	35,427,992
Non-cash expenditures - value of donated commodities	15,016
Federal revenue reserved for encumbrances in fund balance	(2,356,732)
Federal expenditures from fund balance	1,239,663
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 34,325,939

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

(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 \$989,477 related to the Child Care Development Fund received from the Department of Social Services.

CITY OF CHESAPEAKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

(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: **Yes**
- (g) Major programs:
Special Education Cluster: CFDA 84.027 and 84.173
Improving Teacher Quality State Grant: CFDA 84.367
Child Care Cluster: CFDA 93.575 and 93.596
- (h) Dollar threshold used to determine Type A programs: **\$1,029,778**
- (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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

(3) Findings Required to be Reported under Section 501(a) of OMB Circular A-133

United States Department of Health and Human Services

Child Care Cluster; 93.575 and 93.596

Finding 03-1: Subrecipient Monitoring

In accordance with OMB Circular A-133, pass-through entities of grant awards are responsible for, at the time of the award, identifying to the subrecipient the federal award information (e.g. CFDA title and number, award name, name of federal agency) and applicable compliance requirements. During our testwork, we noted that there was no communication between the City and the subrecipient regarding the federal award information in the existing contract between the two parties. There were no questioned costs associated with this finding. The City should include this information in the existing signed agreement or develop an additional policy to ensure the information is properly communicated.

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

Virginia Department of Social Services

Section 3-17 – Child Welfare Trust Accounts

State Finding 03-1: 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 4 of the 77 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 accounts and ensure that interest-bearing accounts are opened once a child's account equals or is in excess of \$500.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

Virginia Department of Social Services

Section 3-17 – Electronic Benefit Transfer (EBT) Staff Fraud Prevention

State Finding 03-2: Separation of Duties

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3, Section 17, the local agency is responsible for maintaining separation of duties between the Eligibility Workers, Issuance Clerks, and Fiscal Staff for Electronic Benefit Transfer processes to prevent staff fraud. This requirement specifies the need for three separate positions within this process, however the City has assigned only two positions to perform these duties. There were no questioned costs associated with this finding. We recommend that the City create a third position as required by the State to ensure the proper separation of duties and mitigate the risk of fraud.

Virginia Department of Transportation

Urban Street Maintenance Program

State Finding 03-3: 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, 2003 indicated that expenditures in the general ledger were \$4,224,330 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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Virginia Department of Transportation

Urban Street Maintenance Program

State Finding 03-4: Eligible Streets

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3, Section 15, all streets listed on the annual U-3 report sent to the Virginia Department of Transportation (VDOT) must be included on VDOT's annual listing of eligible streets. During our testwork, we noted that one street, in which maintenance was performed and the resulting expenses were submitted to VDOT, was not listed as an eligible street. The City has submitted the name of the street to VDOT and is awaiting a decision. The potential questioned costs, if any, associated with this finding could not be determined. We recommend that the City ensure that all streets submitted to VDOT as a result of maintenance and resurfacing have been properly approved by VDOT and are included in the eligible street listing.



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, 2003, and have issued our report dated October 20, 2003. 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 or the Chesapeake Airport Authority, which represent 33% and 1%, 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 or the Chesapeake Airport 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 Financing 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 October 20, 2003.



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

October 20, 2003



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, 2003. 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, 2003. 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 03-1.

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

October 20, 2003



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, 2003, and have issued our report thereon dated October 20, 2003.

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 or the Chesapeake Airport Authority, which represent 33% and 1%, 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 or the Chesapeake Airport 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 four 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 03-1, 03-2, 03-3, and 03-4.

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

October 20, 2003