

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2007

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



This page intentionally left blank



CITY OF CHESAPEAKE, VIRGINIA

Table of Contents
June 30, 2007

	Schedule	Page Number
INTRODUCTORY SECTION:		
Letter of Transmittal		I
Organization Chart		X
City Officials		XI
GFOA Certificate of Achievement		XIV
FINANCIAL SECTION:		
Independent Auditors' Report		1
Management's Discussion and Analysis – (MD&A)		4
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A.....	26
Statement of Activities.....	B.....	27
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet	C.....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	D.....	36

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
FINANCIAL SECTION, (Continued):		
Proprietary Fund Financial Statements:		
Statement of Net Assets	E.....	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets	F.....	42
Statement of Cash Flows	G.....	44
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Assets.....	H.....	49
Other Discretely Presented Component Units:		
Statement of Net Assets	I	52
Statement of Activities.....	J	53
Notes to Basic Financial Statements.....	K.....	56
1. Summary of Significant Accounting Policies.....		56
2. Deposits and Investments		67
3. Accounts Receivable and Payable		72
4. Capital Assets		75
5. Deferred Revenues.....		81
6. Long-Term Obligations		82
7. Advances and On Behalf Of Payments		95

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

FINANCIAL SECTION, (Continued):

Notes to Basic Financial Statements, (Continued):

8. Interfund Balances and Transfers		97
9. Leases.....		99
10. Retirement Plans		100
11. Reserved Fund Balances		103
12. Deferred Compensation Plan		104
13. Hospitalization Benefits for Certain Retired Employees.....		104
14. Commitments		105
15. Contingent Liabilities		106
16. Fund Deficits.....		109

Required Supplementary Information Other Than MD&A:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	L-1.....	112
Schedules of Funding Progress – Virginia Retirement System	L-2.....	113
Note to Required Supplementary Information.....	L-3.....	114

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

FINANCIAL SECTION, (Continued):

Supplementary Information:

Combining and Individual Fund Schedules:

Governmental Funds:

Major Governmental Funds:

General Fund:

Schedule of Revenues and Other Financing

Sources – Budget and Actual M-1 120

Schedule of Expenditures, Encumbrances, and

Other Financing Uses – Budget and Actual M-2 124

Debt Service Fund:

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual N 129

Capital Projects Fund:

Schedule of Expenditures and Encumbrances –

Budget and Actual O 132

Nonmajor Governmental Funds:

Special Revenue and Permanent Funds:

Combining Balance Sheet P-1 140

Combining Statement of Revenues, Expenditures,

and Changes in Fund Balances P-2 142

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

FINANCIAL SECTION, (Continued):

Nonmajor Governmental Funds, (Continued):

Special Revenue and Permanent Funds, (Continued):

Schedule of Revenues and Other Financing Source – Budget and Actual – Virginia Public Assistance Fund	P-3	144
Schedule of Expenditures and Encumbrances – Budget and Actual – Virginia Public Assistance Fund	P-4	145
Schedule of Revenues and Other Financing Source – Budget and Actual – Community Services Fund.....	P-5	146
Schedule of Expenditures and Encumbrances – Budget and Actual – Community Services Fund.....	P-6	147
Schedule of Revenues – Budget and Actual Conference Center Fund	P-7	148
Schedule of Expenditures and Encumbrances – Budget and Actual – Conference Center Fund	P-8	149
Schedule of Revenues and Other Financing Sources – Budget and Actual – Community Development Fund, Interagency Consortium Fund, Community Corrections Fund, Fee Supported Activities Fund, Tax Increment Financing Fund, Grants Fund, E-911 Operations Fund, Chesapeake Juvenile Services Fund, and Open Space Agriculture Preservation Fund.....	P-9	150

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

FINANCIAL SECTION, (Continued):

Nonmajor Governmental Funds, (Continued):

Special Revenue and Permanent Funds, (Continued):

Schedule of Expenditures and Encumbrances – Budget and Actual – Community Development Fund	P-10	152
Schedule of Expenditures and Encumbrances – Budget and Actual – Interagency Consortium Fund	P-11	155
Schedule of Expenditures and Encumbrances – Budget and Actual – Community Corrections Fund	P-12	156
Schedule of Expenditures and Encumbrances – Budget and Actual – Fee Supported Activities Fund.....	P-13	157
Schedule of Expenditures and Encumbrances – Budget and Actual – Tax Increment Financing Fund	P-14	158
Schedule of Expenditures and Encumbrances – Budget and Actual – Grants Fund.....	P-15	159
Schedule of Expenditures and Encumbrances – Budget and Actual – E-911 Operations Fund	P-16	160
Schedule of Expenditures and Encumbrances – Budget and Actual – Chesapeake Juvenile Services Fund	P-17	161

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
FINANCIAL SECTION, (Continued):		
Nonmajor Governmental Funds, (Continued):		
Special Revenue and Permanent Funds, (Continued):		
Schedule of Expenditures and Encumbrances – Budget and Actual – Open Space Agriculture Preservation Fund P-18162		
Proprietary Funds:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets	Q-1	164
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	Q-2	165
Combining Statement of Cash Flows	Q-3	166
Internal Service Funds:		
Combining Statement of Net Assets	R-1	170
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	R-2	171
Combining Statement of Cash Flows	R-3	172
Fiduciary Fund:		
Agency Fund:		
Statement of Changes in Assets and Liabilities – Special Welfare Fund	S	177

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

FINANCIAL SECTION, (Continued):

Other Component Units:

Combining Balance Sheet and Statement of Net Assets	T-1.....	180
Statement of Revenues, Expenditures, and Changes in Fund Balance – Chesapeake Mosquito Control Commission	T-2.....	181
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Chesapeake Port Authority.....	T-3.....	182
Statement of Cash Flows – Chesapeake Port Authority	T-4.....	183

STATISTICAL SECTION:

Financial Trends Information:

Net Assets by Component	Table 1.....	186
Changes in Net Assets	Table 2	187
Fund Balances, Governmental Funds	Table 3	190
Statement of Changes in Fund Balances, Governmental Funds	Table 4.....	191

Revenue Capacity Information:

Assessed Value and Actual Value of Taxable Property	Table 5	193
Direct and Overlapping Property Tax Rates	Table 6.....	194
Principal Property Taxpayers	Table 7	195

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

STATISTICAL SECTION, (Continued):

Revenue Capacity Information (Continued):

Property Tax Levies	Table 8.....	198
Property Tax Levies and Collections	Table 9.....	199

Debt Capacity Information:

Ratios of Outstanding Debt by Type	Table 10	200
Ratios of Outstanding General Bonded Debt by Type.....	Table 11	202
Debt Affordability Indicators.....	Table 12	203
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	Table 13.....	204
Ratio of Bonded Debt Expenditures to Local Revenues.....	Table 14	205
Direct and Overlapping Governmental Activities Debt.....	Table 15	206
Legal Debt Margin Information	Table 16.....	207
Revenue and Existing Double Barrel Parity Bond Coverage Water and Sewer Systems (Pledged-Revenue).....	Table 17.....	208

Demographic and Economic Information:

Schedule of Utility General Obligation Bond Coverage.....	Table 18	209
Demographic and Economic Statistics	Table 19	210
Principal Employers	Table 20.....	211

CITY OF CHESAPEAKE, VIRGINIA

Table of Contents, Continued
June 30, 2007

	Schedule	Page Number
--	----------	----------------

STATISTICAL SECTION, (Continued):

Operating Information:

Municipal Employment Statistics	Table 21	214
Full-time Equivalent City Government Employees by Function/Program	Table 22	215
Operating Indicators by Function/Program	Table 23	216
Capital Asset Statistics by Function/Program	Table 24	218

COMPLIANCE SECTION:

Schedule of Expenditures of Federal Awards.....	U-1	220
Notes to Schedule of Expenditures of Federal Awards	U-2	224
Schedule of Findings, Questioned Costs, and Management's Response	U-3	226
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters		231
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance		233
Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants		235

INTRODUCTORY SECTION



This page intentionally left blank



Office of the City Manager
306 Cedar Road
Chesapeake, Virginia 23322-5225
Office: (757) 382-6166
Fax: (757) 382-6507

www.cityofchesapeake.net

December 7, 2007

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, 2007, is hereby submitted. Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Reporting Entity and Its Services

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

The City of Chesapeake derives its governing authority from a charter granted by the 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. Five (5) component units are discretely presented and are reported in two separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units qualifying for inclusion in this report are Chesapeake Public Schools, Chesapeake Mosquito Control Commission, Economic Development Authority of the City of Chesapeake (the EDA), formerly known as the Industrial Development Authority, Chesapeake Port Authority, and Chesapeake Airport Authority. The activities of one component unit, CSB of Chesapeake, Inc. (CSBC, Inc.), is considered to be so

intertwined with the City's activities that they are in substance part of the City's operations. Therefore, CSBC, Inc. is blended with the City's governmental activities.

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 other infrastructure. Other services provided include public education in grades kindergarten through twelfth, public health and social services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

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

On April 4, 2007, the General Assembly of Virginia approved House Bill 3202 which authorized the creation of the Hampton Roads Transportation Authority (HRTA) to address specific transportation needs in the Hampton Roads region. On June 26, 2007 City Council voted to approve a resolution supporting the establishment of the HRTA. By June 2007, elected officials from nine of the twelve localities had approved the HRTA's existence and authority. HRTA has the power to impose, assess and collect taxes, fees and tolls and issue bonds.

Economic Condition and Outlook

Chesapeake's economy has remained relatively strong compared to other areas in the country, primarily because its diversity shields it from dramatic shifts caused by changes in the national or global economies. Retail growth continues to be a strong economic indicator for the City. Retail sales exceeded \$3 billion for the second year, increasing Chesapeake's share of the Hampton Roads retail market. In past years, the City's retail sector expanded in relation to significant residential growth. Recently, as the rate of residential expansion has become more controlled, retail growth has continued because of the City's attractive demographics, strong business base, and a proactive marketing approach targeting unique national and local retailers.

Local unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2007, the average unemployment rate was 3.2% in Chesapeake and 3.0% in Virginia, compared to 4.7% in the U.S.

Chesapeake is consistently ranked as one of the country's best places for international business investment. The City is home to the largest concentration of the region's foreign businesses, with more than 80 firms representing at least 20 different countries. Chesapeake is recognized as one of the most successful U.S. cities for attracting business investment from around the world. International companies accounted for 14% of all business announcements in calendar 2006. The City has one of the largest concentrations of international business on the U.S. East Coast with companies from Japan, Sweden, and Germany, to name a few.

During calendar year 2006, nearly 1,200 new jobs were created in Chesapeake and over \$200 million of new non-retail capital investment were recorded. New job creation exceeded 1,700 new jobs for

seven of the past ten years and continues to outperform the nation in job growth. For the past three years, Chesapeake's job growth has far outpaced the national average placing it among the top fifty cities nationwide. The City has recorded more than \$90 million in capital investment for nine of the past ten years.

The hospitality industry continues to play a major role in Chesapeake's economic success and contributes more than \$200 million to our local economy, according to the Virginia Tourism Corporation. Hotel room demand, supply and room rates in the City all increased over the past year which contributed to the success of the industry in the local area.

The entire Hampton Roads region was impacted by the announcement by Ford Motor Company of the closing of their Norfolk Assembly Plant in 2007. Of the 2,400 employees at the plant, nearly 800 lived in Chesapeake. In addition, three of Ford's largest local vendors are located in the City of Chesapeake and represent over 500 more jobs that will be directly impacted by the plant's closing. While Ford's actions negatively impact local workers, families and other companies, the City will continue to proactively partner with the business community, appropriate state and regional officials, and employees to help everyone make the successful transition to the next opportunities.

The 2006-2007 fiscal year includes the following economic development highlights:

- The Oakbrooke Business and Technology Center opened with more than 250,000 square feet of office and flexible use space either announced or constructed in its 122 acre park that was developed by Chesapeake's Economic Development Authority. One major highlight for the park was the ground breaking by Tidewater Community College on their new Automotive Technology and Workforce Development Center.
- The Poindexter Streetscape Improvement Project began and will include significant upgrades to the utility lines, street and sidewalks.
- The Chesapeake Conference Center celebrated its tenth anniversary.

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

Major Initiatives

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

During fiscal year 2007 the City achieved the following accomplishments:

- Completed a new high school to serve the southern Chesapeake (Grassfield) area of the City. The

school opened in the fall of 2007 and with a capacity of approximately 2,400 students.

- Began construction of the Oscar Smith middle school replacement project.
- Transportation improvements funding to include Steel Bridge repair design phase, initiation of the Long Bridge replacement project and Wellons Forehand Overpass reconstruction.
- Initiation phase of the new Police precinct in the Hickory area, the purchase of self-contained breathing apparatus for fire fighters and the land acquisition for the Hickory fire station.
- Completion and dedication of the Dr. Clarence V. Cuffee Community Center and Library facility in the Campostella Square neighborhood.

For the Future. Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, availability of land, and good transportation system will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center. The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000 per the U.S Census Bureau to 117,512 in June 2007 per the Virginia Employment Commission, an increase of 22%. As we round out the first decade of the second millennium, Chesapeake will likely experience a deceleration of both population growth and residential construction. This will contribute more infill opportunities as well as increase the demand for commercial development.

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 1.46% in 2007. The overall target for the City is to accommodate an annual population growth of between 1.5% and 2.5% which is deemed to be a reasonable amount of growth that fairly balances the interests of current City residents with future City residents.

One major tool used to manage growth is the City's Comprehensive Plan adopted in March of 2005. The Forward Chesapeake 2026 Comprehensive Plan is a series of documents that establish policies regarding the future development of the City. It establishes a vision for the future and identifies a strategy for achieving that vision, based on community input and values. Chesapeake's Comprehensive Plan includes an overall text policy document, a Land Use Plan, and a Master Transportation Plan. Implementation strategies are a component of the Plan, such as the coordination of capital improvements and other resources to achieve the Plan's goals. Major themes contained in the Plan's policies are growth management, community revitalization, and the maintenance of a high standard for community facilities and services.

The City Council continues to uphold its dedication to “The City That Cares” philosophy by reducing the property tax rate for homeowners. In May 2007, City Council voted to again reduce the tax rate by \$.05 per \$100 value bringing the rate down to \$1.04 per \$100 value effective July 2007 with an additional \$.02 for the Mosquito Control Commission. This will provide a further balance between the taxpayers’ burden and the City’s resources requirements.

Financial Information

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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, regulations, contracts, and grant agreements, the audit for the fiscal year ended June 30, 2007 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit, and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, the Grants Fund, and the Community Development 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

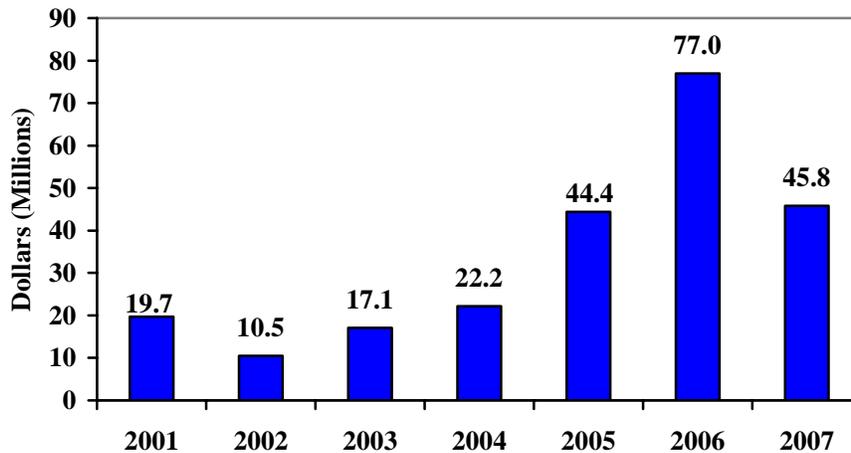
grouped into three broad classifications: governmental funds, proprietary funds, and a fiduciary fund.

- **Governmental Funds** - The City's governmental funds include the General Fund, the Debt Service Fund, the Capital Projects Fund, the Special Revenue Funds, and the Permanent Funds. The General Fund is the main operating fund of the City, and is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Capital Projects Fund is used to account for proceeds from public improvement bond issues, local funding sources, and construction grants and expenditures relating to capital projects. When capital projects are completed, the costs of the improvements are transferred from construction in progress to the appropriate fixed asset category. Special revenue funds have been established for programs that the City needs to track separately. There are twelve special revenue funds for specific purposes, such as the Grants Fund, Virginia Public Assistance Fund, and Interagency Consortium Fund. In addition, CSBC, Inc., a blended component unit, is reported as a special revenue fund of the City. Permanent funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for specific purposes.
- **Proprietary Funds** - Proprietary funds are classified as enterprise funds or internal service funds. An enterprise fund is used to report an activity for which fees are charged to external users for goods or services. An internal service fund is used to centralize certain services and then allocate the cost of these services within the government. The City maintains separate enterprise funds for six distinct activities: Public Utilities, Chesapeake Expressway, Stormwater Management, Northwest River Park, Jordan Bridge, and Recreation. The City uses three internal service funds: Information Technology, City Garage, and Self-Insurance.
- **Fiduciary 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, 2007 designation for cash flow emergencies totaled \$31,444,789. In fiscal year 1999, City Council established an additional designation of fund balance for operating emergencies to be set at a minimum of five percent of total General Fund revenues. As of June 30, 2007, the designation for operating emergencies is \$26,203,990. In addition to the designation for cash flow emergencies and designation for operating emergencies, \$44,956,073 has been set aside in various reserves and other designations.

Fund Balance of the General Fund (Undesignated)



The undesignated General Fund fund balance, which represents available current financial resources, totaled \$45,750,452 at June 30, 2007, a decrease of \$31,272,593 from the prior year. The change is primarily due to the Council approved use of fund balance for various projects and designations to include high priority transportation projects and school capital improvement projects. All uses of the undesignated fund balance are carefully evaluated to ensure that the balance will be sufficient for future needs. A healthy undesignated fund balance provides the City adequate liquidity during the year, and allows it to retain its sound financial position. Additional information and analysis on the City's General Fund can be found in the Management Discussion and Analysis section of this report.

Summary of Changes in Undesignated Fund Balance of the General Fund (in millions)			
Undesignated fund balance at June 30, 2006		\$	77.0
Revenues		\$	509.1
Expenditures:			
Current	\$	413.3	
Other financing uses, net	97.3	(510.6)	
Increase in reserves and designations		(29.7)	
Decrease in undesignated fund balance			(31.2)
Undesignated fund balance at June 30, 2007		\$	45.8

Cash Management. The City charter provides that the elected City Treasurer is the custodian of City Funds. For the fiscal year ended June 30, 2007, cash temporarily idle during the year was invested in the following instruments with an average maturity of 174 days: Virginia banks' certificates of deposit covered by federal depository insurance or collateralized under the Virginia Security for Public Deposits Act (24.76%), U. S. Government and Agencies (21.73%), commercial paper which has obtained ratings no lower than A-1 by Standard & Poor's and no lower than P-1 by Moody's

(19.12%), short-term corporate notes of domestic corporations (1.98%), the Local Government Investment Pool "LGIP" (16.32%), Evergreen U.S. Treasury Money Market, TowneBank and RBC Centura Money Market Deposits (5.95%), and the Virginia State Non-Arbitrage Program "SNAP" (10.14%). Investments are held to maturity under usual circumstances.

The State Treasurer manages the LGIP and invests funds according to the Virginia Treasury Board's Investment Guidelines for the Commonwealth's General Fund Monies. These guidelines include third-party delivery of repurchase collateral and other professional safekeeping arrangements. The Virginia Treasury Board established the Virginia SNAP program and provides general supervision over SNAP. Established March 1, 1989, the SNAP program helps local governments comply with certain arbitrage rebate requirements of the Internal Revenue Code and provides for the pooling of bond proceeds for temporary investment pending expenditure. Both 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 5.27%, which compares favorably with the average earnings yield of 5.02% for the U.S. Treasury three-month bill. The City of Chesapeake primary government earned revenues of \$16,438,580 on investments for the year ended June 30, 2007.

The breakdown of the interest earnings is as follows:

Interest on Invested Funds	
Fund Type	Interest Earned
General Fund	\$ 4,696,613
Debt Service Fund	1,416,295
Capital Projects Fund	5,502,664
Special Revenue and Permanent Funds	661,801
Enterprise Funds	3,003,191
Internal Service Funds	1,158,077
Total Interest Earned	\$ 16,438,641

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

Self-Insurance. The City has a self-insurance program with excess coverage for general, auto liability, and workers' compensation. As part of this plan, resources are being accumulated in the Self-Insurance Fund to meet potential losses. In addition, various risk control techniques, including

support for accident review and investigation of motor vehicle accidents, are ongoing. See Notes to Basic Financial Statements (Note 15, page 114) for further information on the self-insurance program.

Other Information

Independent Audit. The City's Charter, Section 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, 2006. This was the 25th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

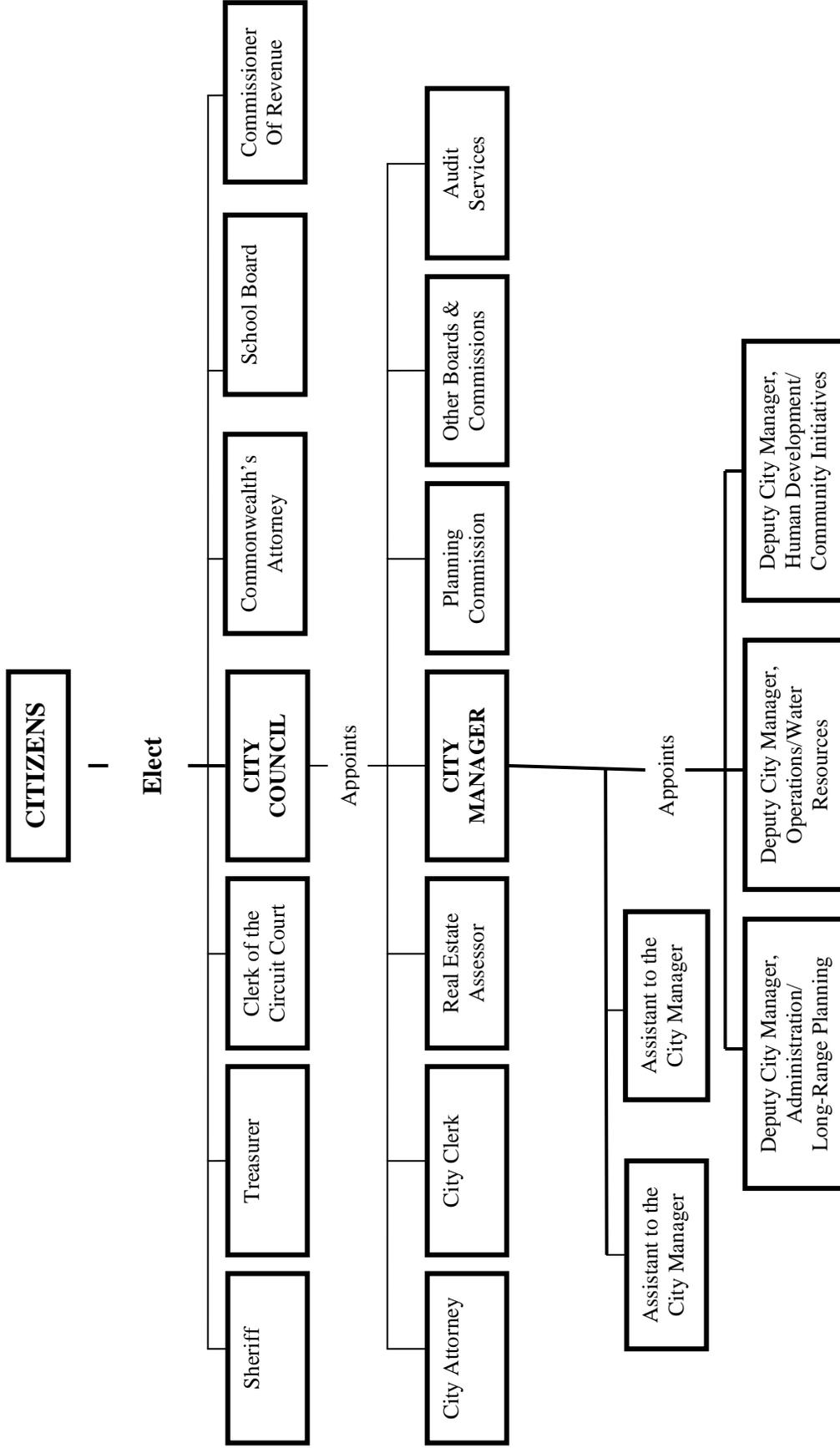
Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report.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

Very truly yours,

/S/
William E. Harrell
City Manager

/S/
Nancy C. Tracy
Director of Finance

Organization Chart



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2007

City Council

Dalton S. Edge Mayor
Dwight M. Parker Vice Mayor

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

Other Officials

Barbara O. Carraway City Treasurer
Faye Mitchell Clerk of the Circuit Court
Ray A. Conner Commissioner of the Revenue
Nancy G. Parr..... Commonwealth's Attorney
John R. Newhart..... Sheriff
William E. Harrell..... City Manager
Ronald S. Hallman City Attorney
Jay Poole City Auditor
Dolores A. Moore City Clerk
William L. Rice..... Real Estate Assessor
Anne F. Odell..... Deputy City Manager, Administration / Long Range Planning
Amar Dwarkanath..... Deputy City Manager, Operations/Water Resources
Dr. Wanda Barnard-Bailey ... Deputy City Manager, Human Development/Community Initiatives
Mary Ann Saunders Assistant to the City Manager
Anna D'Antonio..... Assistant to the City Manager
V. Thomas Forehand, Jr..... Chief Judge, Circuit Court
S. Bernard Goodwyn, Frederick H. Creekmore
Bruce Kushner and Randall D. Smith..... Judges, Circuit Court
Colon H. Whitehurst Chief Judge, General District Court
Robert R. Carter, David L. Williams and
Timothy S. Wright Judges, General District Court
Deborah A. Ellington Clerk of the General District Court
Rufus A. Banks Chief Judge, Juvenile and Domestic Relations Court
Larry D. Willis, Eileen A. Olds Judges, Juvenile and Domestic Relations Court
Lorraine Throckmorton..... Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence..... Director of Agriculture
Dr. Betty Jean Meyer Budget Director
Candace B. Waller Executive Director of Community Services Board

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued

June 30, 2007

Maury B. Brickhouse Director of Court Services
Warren D. Harris..... Director of Economic Development
Nancy C. Tracy Director of Finance
R. Stephen Best, Sr. Fire Chief
William M. BroomeDirector of General Services
Dr. Nancy M. Welch Health Director
Mary J. Bullock..... Director of Human Resources
Doris “Cookie” PalaciosDirector of Human Services
Richard DeLorey..... Acting Director of Information Technology
Margaret P. Stillman Director of Libraries and Research Services
Patrick M. Hughes Director of Neighborhood Services
Robert A. Clifton Director of Parks and Recreation
Brent R. NeilsonDirector of Planning
Colonel Richard A. Justice Chief of Police
Mark S. Cox Director of Public Communications
James K. Walski.....Director of Public Utilities
Patricia C. Biegler..... Director of Public Works

School Board

Thomas L. Mercer, Sr. Chairman
Dr. Shelia G. Hill Vice Chairman

Barbara B. Head
Brenda J. Johnson
Jay Leftwich
Harry A. Murphy
Jeff C. Bunn
Ann R. Wiggins
Michael J. Woods

Other School Board Officials

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

CITY OF CHESAPEAKE, VIRGINIA

City Officials, Continued

June 30, 2007

Supplemental Listing

Lee Lowder Secretary/Treasurer, Chesapeake Airport Authority
Warren D. Harris.....Executive Director, Chesapeake Port Authority
Warren D. Harris.....Executive Secretary, Economic Development Authority
Brenda WillisExecutive Director, Chesapeake Redevelopment and Housing
Doreen Quane Director of Administration and Finance,
Chesapeake Redevelopment and Housing
Gene Payne Director, Chesapeake Mosquito Control Commission

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chesapeake
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



This page intentionally left blank





KPMG LLP
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, 2007, 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 Economic Development Authority or the Chesapeake Airport Authority, which together represent 20% and 2%, 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 Economic 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 and 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* (specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis 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 U.S. generally accepted accounting principles. 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.

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 section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 13, 2007

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



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year ended June 30, 2007

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, 2007. 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 2007

- The assets of the City of Chesapeake, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2007 by \$1.248 billion (net assets). Of this amount, \$196.2 million is unrestricted.
- The City's total net assets increased by \$65.5 million from the prior year. The governmental net assets increased \$47.0 million and business-type net assets increased by \$18.5 million. Approximately \$27 million 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 \$287.2 million, an increase of \$18.9 million from the prior year. Approximately 69.7% or \$200.2 million of this amount is unreserved.
- The General Fund, on a current financial resources basis, reported a deficiency of revenues and other financing sources under expenditures and other financing uses of \$1.6 million, primarily due to the use of \$56 million of prior years' budgetary excesses to fund one-time operating and capital needs for City and Schools. Approximately \$38 million of these funds was transferred out of the General Fund during fiscal year 2007 and thus impacted the current year operations.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$45.8 million, or 11.1% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- Reserved fund balance of the General Fund increased from \$19.1 million to \$43.2 million for 2007. This primarily resulted from the use of prior year's excesses to increase reserves for future City and School capital projects.
- The City's total bonded debt decreased by \$4.7 million (less than 1%) during the current fiscal year. The scheduled repayment of principal of \$34.1 million offsets the \$29.4 million in new debt issued during fiscal year 2007.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

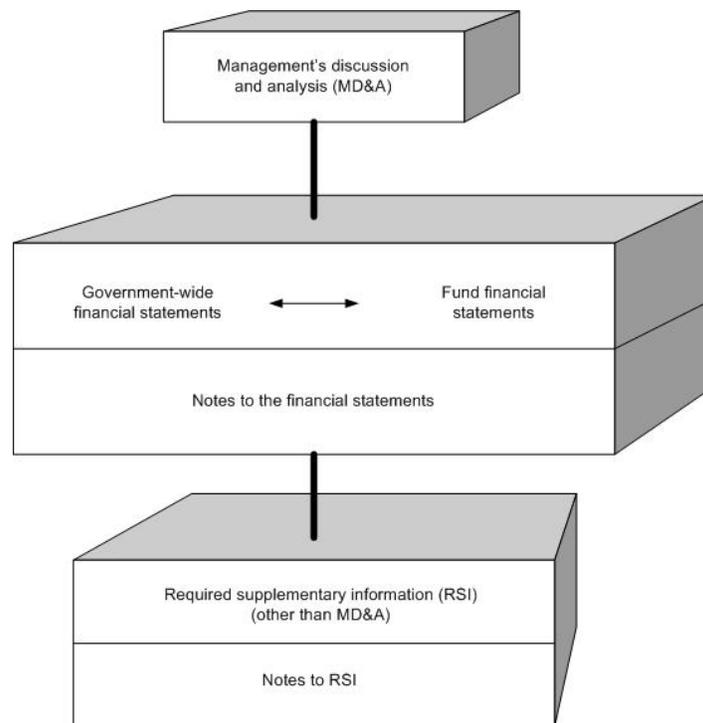
The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Figure A
Required Components of Chesapeake's Financial Statements



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

Government-Wide Statements

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure may need to be considered to assess the overall health of the City.

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

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, public welfare, parks and recreation departments, and general administration. Property taxes, other taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, stormwater system, and Chesapeake Expressway toll road are included here.
- *Component units* – The City includes five discretely presented component units, separate legal entities, in its report – the Chesapeake Public Schools, the Chesapeake Mosquito Control Commission, the Economic Development Authority of the City of Chesapeake, the Chesapeake Port Authority, 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 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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements. The City includes in its governmental fund statements a blended component unit, CSB of Chesapeake, Inc. because it provides services entirely for the benefit of the City.

- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the internal service funds' gain or loss allocation, but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the City Garage Fund and the Information Technology Fund.
- *Fiduciary 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 exceeding liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Chesapeake, assets exceeded liabilities by \$1.248 billion at the close of fiscal year 2007. By far the largest portion of the City's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

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
June 30, 2007 and 2006
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 362.0	332.7	81.0	67.3	443.0	400.0
Capital assets	1,090.0	1,066.4	479.5	477.6	1,569.5	1,544.0
Total assets	\$ 1,452.0	1,399.1	560.5	544.9	2,012.5	1,944.0
Liabilities						
Current and other liabilities	\$ 31.2	27.4	11.7	7.0	42.9	34.4
Long-term liabilities	502.6	500.4	219.3	226.9	721.9	727.3
Total liabilities	533.8	527.8	231.0	233.9	764.8	761.7
Net assets						
Invested in capital assets, net of related debt	666.4	649.8	263.3	254.3	929.7	904.1
Restricted net assets	58.1	46.3	63.7	55.1	121.8	101.4
Unrestricted net assets	193.7	175.2	2.5	1.6	196.2	176.8
Total net assets	918.2	871.3	329.5	311.0	1,247.7	1,182.3
Total liabilities and net assets	\$ 1,452.0	1,399.1	560.5	544.9	2,012.5	1,944.0

Approximately 10% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$196.2 million or 16%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the primary government as a whole as well as for its separate governmental and business-type activities. The same was true for fiscal year 2006.

There was an increase of \$18.5 million in total net assets in the business-type activities, largely as a result of donated infrastructure assets.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

The City's total net assets increased by \$65.5 million during the fiscal year. The increase in expenses (17%) exceeded the increase in revenues (6%) for this period, largely due to the use of prior years' excess revenues to fund one-time capital and operating costs for City and Schools.

Governmental Activities

Net assets of the City's governmental activities increased by \$47.0 million, as shown on the Statement of Activities, accounting for 72% of the total growth in net assets of the City. This increase was largely due to \$36 million in increased tax revenues and \$13.8 million in capital grants and contributions. Total donated land and infrastructure assets, which includes roads, were \$13.4 million, reporting in the Public Works function. Expenses increased by 17%, including increases in certain functional areas, primarily education expenses, general government and depreciation on infrastructure assets. Revenues for governmental activities increased 4% over the prior year, with a 12% increase in property tax revenues versus a 16% increase from fiscal year 2005 to 2006.

Business-type Activities

The net assets of the City's business-type activities increased from \$311.0 million to \$329.5 million. These resources cannot be used to make up for any net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of its enterprise operations, which include the Public Utilities, Stormwater Management, and the Chesapeake Expressway enterprise funds. A key element of this increase was due to deeded and donated assets from developers in the amount of \$13.1 million. Water and sewer connection fee increases went into effect January 1, 2007, raising the water connection fee from \$2,970 to \$3,697 and the sanitary sewer fee from \$1,980 to \$3,519. City Council adopted the Public Utilities Cost Participation Policy on September 26, 2006, which extended the pre-January 1, 2007 fees to March 31, 2007 for "affected areas" identified for future utility upgrades. Revenues increased 16% for business-type activities due to these rate changes, and to Stormwater rate changes effective January 1, 2007. Expenses increased approximately 9%, due to the first full year of operating costs and depreciation associated with the Lake Gaston water treatment plant.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Statement of Activities

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

Table 2
Changes in Net Assets
Years Ended June 30, 2007 and 2006
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 21.8	21.2	64.2	56.7	86.0	77.9
Operating grants and contributions	91.3	90.1	2.9	1.9	94.2	92.0
Capital grants and contributions	13.8	27.8	13.4	10.9	27.2	38.7
General revenues:						
Property taxes	290.8	260.1	-	-	290.8	260.1
Other taxes	123.2	119.8	-	-	123.2	119.8
Unrestricted investment earnings	13.4	8.3	0.1	0.1	13.5	8.4
Other	3.1	3.9	-	-	3.1	3.9
Capital grants and contributions not restricted to specific programs	32.2	33.8	-	-	32.2	33.8
Total revenues	589.6	565.0	80.6	69.6	670.2	634.6
Expenses						
General government	118.0	101.3	-	-	118.0	101.3
Public safety	82.6	78.0	-	-	82.6	78.0
Public works	44.2	40.3	-	-	44.2	40.3
Parks	6.7	6.4	-	-	6.7	6.4
Public welfare	40.2	38.7	-	-	40.2	38.7
Education	209.2	157.3	-	-	209.2	157.3
Public Utilities	-	-	45.3	41.6	45.3	41.6
Chesapeake Expressway	-	-	10.1	9.4	10.1	9.4
Stormwater Management	-	-	3.5	3.2	3.5	3.2
Depreciation - unallocated	22.5	21.4	-	-	22.5	21.4
Other	-	-	1.9	1.8	1.9	1.8
Interest on long-term debt	20.5	19.8	-	-	20.5	19.8
Total expenses	543.9	463.2	60.8	56.0	604.7	519.2
Excess before transfers	45.7	101.8	19.8	13.6	65.5	115.4
Transfers	1.3	0.5	(1.3)	(0.5)	-	-
Increase in net assets	47.0	102.3	18.5	13.1	65.5	115.4
Net assets - beginning	871.2	769.0	311.0	297.9	1,182.2	1,066.9
Net assets - ending	\$ 918.2	871.3	329.5	311.0	1,247.7	1,182.3

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

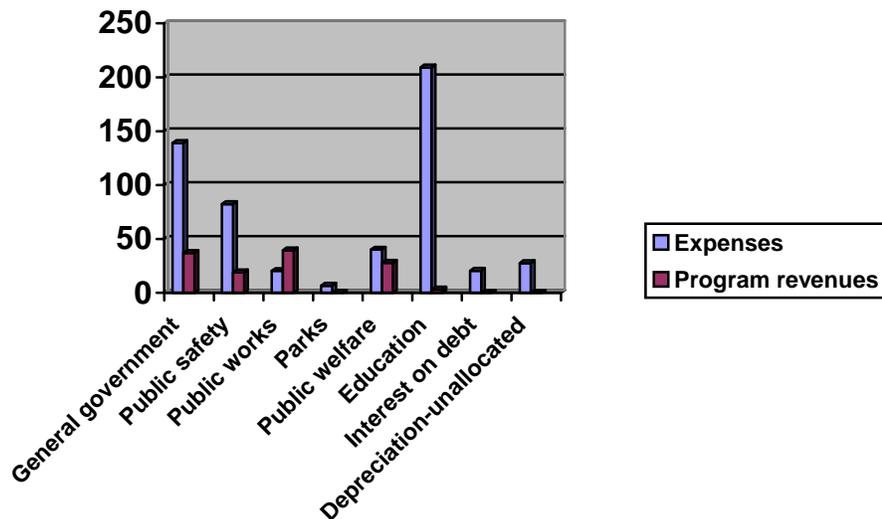
Governmental Activities

The City's total revenues from governmental activities were \$589.6 million for the fiscal year ended June 30, 2007. The largest source of revenue (\$290.8 million for fiscal year 2007) for the City is property taxes, composed of real estate and personal property taxes. Revenue from property taxes increased 12% over the prior year, largely due to the 26.4% increase in the City's assessed real property tax base. The real estate tax rate for 2006-2007 was \$1.09 per \$100 of assessed value with an additional \$.02 for the Mosquito Control Commission, which was a reduction from the 2005-2006 rate of \$1.21. The City Council voted to reduce the tax rate further by \$.05 to \$1.04 effective July 1, 2007, with an additional \$.02 for the Mosquito Control Commission.

Revenues from other taxes increased 3% over the prior fiscal year, fueled in part by continued strong consumer activity and activity in the real estate market. Approximately 62% of the City's revenue from governmental and business-type activities comes from some type of tax, and 4% comes from fees charged for services.

The City's expenses for governmental activities cover a wide range of services, with 15% or \$82.6 million for fiscal year 2007 related to public safety and 39% or \$209.2 million for fiscal year 2007 for education (including payments to the Public Schools, a component unit). Overall, expenses for governmental activities increased by 17% which can be largely attributed to increased costs for salaries and benefits for all functions and additional payments to Schools for capital and one-time operating costs.

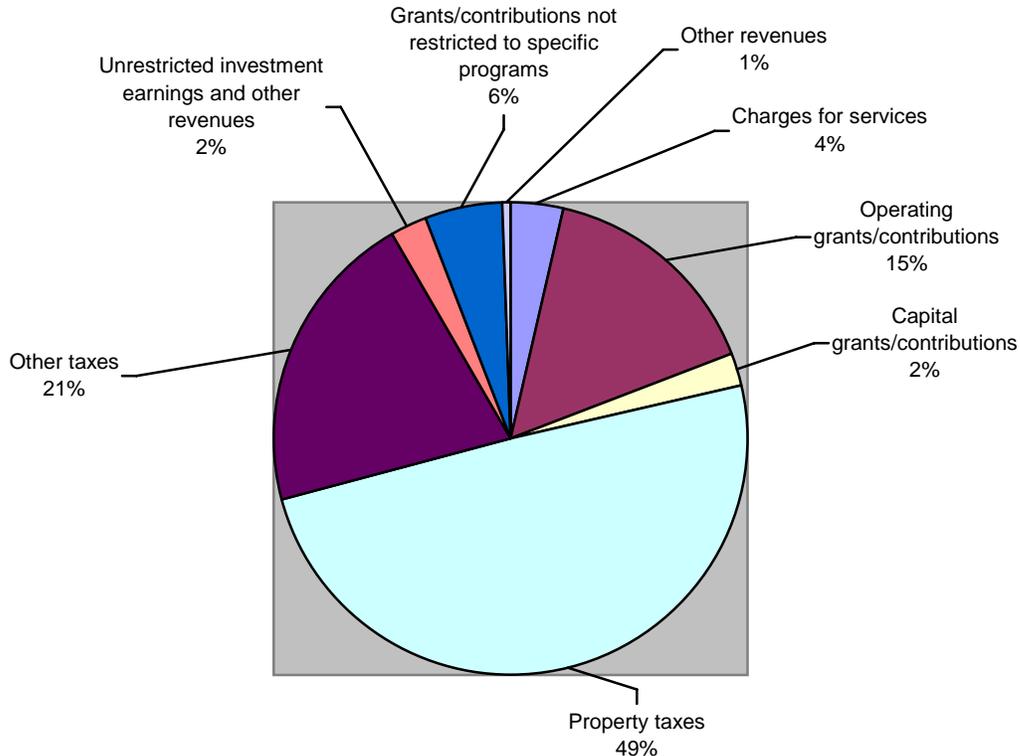
Expenses and Program Revenues – Governmental Activities (in millions) Year Ended June 30, 2007



CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Revenues by Source – Governmental Activities – Year Ended June 30, 2007



Business-Type Activities

Net assets for the City's business-type activities increased by \$18.5 million largely as a result of assets deeded over by developers. This increase accounted for 28% of the total growth in the City's net assets. Charges for services including water and sewer utility fees, stormwater fees, and toll revenues made up 80% of total revenues for business-type activities. The overall net increase in expenses for all business-type activities was 9% which resulted largely from the first full year of operations of the Lake Gaston water treatment plant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Governmental Funds

The focus of Chesapeake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2007, the governmental funds reported combined ending fund balances of \$287.2 million, an increase of \$18.9 million over the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2007:

- \$42.6 million spent in the Capital Projects Fund to fund infrastructure improvements, completion of the new Cuffee Library and Community Center, near completion of Grassfield High School, and other community facilities throughout the City.
- \$202.5 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 \$29.4 million in debt service for the Public Schools.
- \$4.8 million of additional tax revenues generated by increased property values within the City's Tax Increment Financing District.
- \$29.2 million principal debt retired.

Approximately \$200.2 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 at June 30, 2007 in the following amounts and for the following purposes:

- \$31.4 million for cash flow emergencies
- \$26.2 million for operating emergencies
- \$35.7 million for debt service
- \$1.8 million for various other purposes

The remainder of the unreserved fund balance at June 30, 2007, not designated for a specific purpose, includes \$45.8 million in the General Fund, the City's chief operating fund. This amount represents 11.1% of total General Fund expenditures, as a measure of the General Fund's liquidity. Total fund balance of the General Fund decreased by \$1.6 million for fiscal year 2007. During the year City Council voted to use approximately \$56 million of prior year excess budgetary savings to fund City and Schools capital construction, including increases to reserves for future capital needs. The effect of this use of fund balance was largely offset by strong current year revenues coupled with department managers' efforts to reduce planned spending. In addition, the General Fund had a decrease in undesignated fund balance from operations amounting to \$31.2 million. This decrease represents an excess of revenues over expenditures

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

and other uses of \$93.8 million, other financing sources (uses) net, of (\$95.4) million, and a net increase in reserves and designations of \$29.7 million.

The General Fund experienced an overall 7% growth in revenue. Investment income was up 61% due to an increase in interest rates nationwide as well as higher cash balances available for investment. General property taxes accounted for \$29.8 million in increased tax revenue for the City, with a 12% increase over 2006. A 26.4% growth in real estate assessments helped generate this increased tax revenue. Total revenues from local sources grew by \$37.1 million or 10%. Expenditures increased overall 15% from the fiscal year 2006 level. Contributing to this increase were a 24% increase in the education category for payments to Chesapeake Public Schools and a 12% increase in the public works category. Payments to Chesapeake Public Schools increased \$36 million over 2006 due to the appropriation of prior year budgetary excess for one-time School operations and capital projects. The increase in the public works category is mainly attributable to resurfacing pavement repairs and increased tipping fees and waste removal fees paid to the Southeastern Public Service Agency (SPSA). Overall, the increase in total expenditures included higher costs for operation of new and existing facilities, and employee benefits and compensation.

The Debt Service Fund ended the year with \$36.9 million in total fund balance, an increase of \$7.1 million over 2006. The unreserved fund balance is \$35.7 million, which has been designated by City Council for the payment of debt service. This increase in fund balance resulted mainly from interest earnings and General Fund transfers not needed for fiscal year 2007 debt service payments due to the timing of new debt issued. For 2008, \$6 million of this excess is programmed into the operating budget for debt service. The following major transactions were recorded during the year:

- Receipt of \$1.2 million from the Virginia Public School Authority (VPSA) for debt service credits for refundings of past VPSA bond issuances.
- Proceeds of \$15.8 million School bonds issued through the VPSA were transferred to Chesapeake Public Schools for construction of Oscar Smith Middle School.

The City spent \$42.6 million in the Capital Projects Fund to fund major capital projects, including the Cuffee Library and Recreation Center (Campostella), Crestwood drainage improvements, Wellon-Forehand Bridge repair, Centerville Turnpike park, and Grassfield High School.

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.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Restricted net assets of the Public Utilities Enterprise Fund at the end of the year amounted to \$50.5 million. Water and sewer rate increases and connection fee increases went into effect on January 1, 2007. Growth in net assets was \$17.5 million, resulting mainly from the booking of deeded and donated assets from developers in the amount of \$13.1 million. The increase in net assets prior to the impact of this transaction was \$4.4 million. Approximately \$1.6 million was spent on various water and sewer renewal and replacement capital projects.

The Chesapeake Expressway toll road reported operating revenues for fiscal year 2007 totaling \$7.4 million versus \$7.1 million for 2006. Operating expenses for the year amounted to \$7.8 million, with \$4.6 million from depreciation expense. Net assets decreased by \$3.5 million, with the Chesapeake Expressway Fund covering interest expense of \$2.3 million on the toll road revenue bonds. Additionally, the fund made repayments of \$2.6 million to the Commonwealth of Virginia for Toll Facility Revolving funds that helped fund the initial construction of the toll road.

The Stormwater Management Fund, an enterprise fund, had \$23.9 million in total net assets at June 30, 2007, up from \$21.1 million in 2006. Income from operations was \$3.1 million. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.3 million was spent on various stormwater, dredging, and drainage improvement projects during the year. Effective January 1, 2007, City Council approved an increase in stormwater utility fees from \$2.55 to \$5.55 per month per ERU (equivalent residential unit).

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 394,381,653	392,819,527	396,700,010
Intergovernmental	75,823,885	77,215,061	81,987,249
Other	20,511,797	21,004,548	26,543,276
Total	490,717,335	491,039,136	505,230,535
Expenditures and transfers:			
Expenditures *	238,445,415	239,542,976	226,666,245
Transfers (net)	252,146,570	282,652,225	280,148,657
Total	490,591,985	522,195,201	506,814,902
Change in fund balance	\$ 125,350	(31,156,065)	(1,584,367)

*The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$1.9 million for encumbrances reappropriated from June 30, 2006.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

Differences between the original budget and the final amended budget for the City's General Fund amounted to \$31.3 million (net increase in appropriations and transfers) and include the following major changes:

- \$1,562,126 de-appropriation of telecommunications revenues as a result of the Virginia Communications Sales and Use Tax Act;
- Appropriation of \$26.4 million from the General Fund undesignated fund balance from prior year revenues in excess of budget for one-time operating needs and capital projects, including Chesapeake Public Schools;
- Appropriation of \$1.4 million State revenues to fund operations of the Sheriff and Commonwealth's Attorney, and bridge and roadway maintenance;
- \$402,000 of overweight citation fees appropriated for capital projects;
- \$851,152 appropriation from undesignated fund balance for the Open Space Agriculture Preservation program;
- \$1.5 million appropriation for bridge replacement from undesignated fund balance;
- \$1.4 million transferred to other funds to fund salary and benefit increases, including the increased cost of health insurance;
- \$943,000 appropriated from fund balance for SPSA tip fee increases.

Actual total revenues exceeded the amended budget by \$14.2 million, largely due to higher than expected revenues from a number of sources. Other local taxes exceeded budget because City Council deappropriated \$1.6 million in consumer telephone taxes to align with revised expectations from the Virginia Communications Sales and Use Tax Act. The effects of the act were less than expected, causing the excess revenues over budget after the deappropriation. Revenues from general property taxes continued to be positively impacted by the local real estate market. Investment income was over budget due to rising interest rates during the year. The City received reimbursements from the State for the Personal Property Tax Relief Act in excess of the amount budgeted due to conservative budgeting and timing uncertainties with the State's payout. Expenditures were significantly below budget by \$12.9 million. The general government category returned 7% of its budget, mainly due to City Council contingencies not required and support of civic and community organizations not used. The City Treasurer returned 14% of her budget and other operating departments, such as the Police Department and Public Works, were conservative in their spending for the fiscal year. These combined favorable budget variances of \$29.5 million helped to offset the planned use of \$31.1 million of the undesignated fund balance, resulting in a \$1.6 million decrease of total fund balance for the fiscal year.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

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, 2007, amounts to approximately \$1.6 billion (net of accumulated depreciation). This investment includes land, development rights, municipal and school buildings and improvements, drainage and water/sewer systems, machinery and equipment, roads, bridges, and construction in progress. The total change in the City's investment in capital assets for the current year was a net increase of 1.5% (an increase of 2% for governmental activities and an increase of .5% for business-type activities).

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

- The City acquired a perpetual preservation easement on the first participating property under the Chesapeake Open Space and Agriculture Preservation (OSAP) program. The program encourages and promotes green space and agriculture lands throughout the City through the purchase of development rights from willing property owners and avoids the associated costs of land development such as infrastructure.
- Construction in progress totaled \$98.2 million for governmental activities at the end of the fiscal year. Included in this total is \$59.4 million for Grassfield High School, which was partially complete at June 30, 2007.

The City's fiscal year 2008 capital budget calls for \$63.8 million for capital projects, including \$3.2 million towards design and right-of-way for the Route 17/Dominion Boulevard Steel Bridge, \$16.8 million for the Greenbrier and South Norfolk Tax Increment Financing Districts improvements, \$4 million for Tidewater Community College land acquisition and \$5.9 million for completion of Oscar Smith Middle School replacement. The City plans to issue \$34.4 million in bonds with other funding provided by local and State funds and funds on hand.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

City of Chesapeake's Capital Assets (net of accumulated depreciation) June 30, 2007 and 2006 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 281.2	271.7	21.8	21.6	303.0	293.3
Development rights	1.3	-			1.3	-
Construction in progress	101.0	100.3	12.3	14.2	113.3	114.5
Buildings	366.2	370.7	4.7	4.9	370.9	375.6
Improvements other than buildings	15.5	17.1	2.4	1.1	17.9	18.2
Equipment and vehicles	35.9	26.2	3.0	2.9	38.9	29.1
Infrastructure	288.9	280.4	435.3	432.9	724.2	713.3
Total	\$ 1,090.0	1,066.4	479.5	477.6	1,569.5	1,544.0

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 \$533,661,431. Of this amount, \$512,743,977 comprises debt backed by the full faith and credit of the City and \$21,630,000 is debt secured by revenues of the Chesapeake Expressway Fund.

City of Chesapeake's Outstanding Debt General Obligation, Revenue Bonds, and Literary Loans June 30, 2007 and 2006 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 380.6	381.1	125.5	130.4	506.1	511.5
Revenue bonds	-	-	21.6	21.6	21.6	21.6
Literary loans	4.6	5.2	-	-	4.6	5.2
Installment Purchase Agreement	1.3	-	-	-	1.3	-
Total	\$ 385.2	386.3	147.1	152.0	533.6	538.3

Chesapeake's total bonded debt decreased by \$4.7 million during the fiscal year. New debt issued, in the amount of \$29.4 million, was more than offset by budgeted debt principal repayments amounting to \$34.1 million. Principal outstanding on lease revenue bonds backed by

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

the City's general obligation pledge in the amount of \$4.7 million, issued by a blended component unit, CSB of Chesapeake, Inc., have been reported with the City's total debt outstanding for governmental activities. An installment purchase agreement in the amount of \$1.3 million, is also included in the City's debt at June 30, 2007. This debt instrument was used to finance the City's purchase of development rights under the OSAP program mentioned above, in which the landowner will be paid interest on a semi-annual basis for a period of years until the actual purchase takes place.

The City maintains an AA rating from Standard & Poor's Corporation on general obligation bond issues. Under Moody's Investors Service, the City maintains an Aa2 rating. Chesapeake Expressway toll road revenue bonds are rated Baa1 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 \$2,206,780,760 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 2007 for the City of Chesapeake is 3.2%, which remained stable from 2006. This compares to the state's average unemployment rate of 3.0% and the average national rate of 4.7%.
- Chesapeake's annual population growth rate has slowed over the past several years, from an average of 4.5% between 1985 and 1995 to 1.46% between 2006 and 2007.
- The 12% growth in the City's tax base, and the resultant effect on the Chesapeake homeowner, was partially offset by the reduction of the City's real estate tax rate by \$.05, effective July 1, 2007.
- To help address the identified School and City capital backlog, funds continue to be reserved in the General Fund for Schools Future Capital Projects ("School Lock Box") and City Future Capital Projects ("City Lock Box"), to provide resources for future debt service and cash funding for projects. In fiscal year 2007, Council established a reserve in the General Fund for City transportation projects.
- The City Council approved stormwater utility rate increases effective January 1, 2007, with additional increases established for subsequent years through 2009, to address capital needs for City-wide drainage.

All of these factors were considered in preparing Chesapeake's budget for the 2008 fiscal year. During the current fiscal year, undesignated fund balance in the General Fund decreased from \$77 million to \$45.8 million. The fiscal year 2008 operating budget includes no planned use of

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

undesignated General Fund fund balance. The budget provides for approximately \$19 million funding for the City and Schools capital "lock boxes" mentioned above. The real estate tax rate was reduced from \$1.09 per \$100 value to \$1.04 per \$100 value.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENT

A recently promulgated accounting standard, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires state and local governments to account for and report their costs associated with Other Post employment (non-pension) Employee Benefits ("OPEB"), primarily for retired employee healthcare benefits. GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, annual OPEB costs were reported as an expense on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. GASB 45 requires that state and local governments adopt actuarial methodologies to determine annual OPEB costs. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. GASB 45 requires disclosure of the annual OPEB costs, not actual funding of the costs. Under GASB 45, based on an actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government employer. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a government employer contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements. GASB 45 does not require that the unfunded liabilities actually be funded, only that employers account for unfunded accrued liability and compliance in reporting the ARC. Actuarial valuations will be required every 2 years for each government employer including the City. The City engaged a consultant to assist in estimating its costs and actuarial unfunded OPEB liabilities for all beneficiaries, including retirees of the City based on existing plan benefits and certain assumptions. These assumptions include: (i) discount rates of 3.0% and 7.5%, (ii) 30 year amortization period, (iii) various increases in medical trend rates from 15% in year one decreasing to 5.5% in year ten and thereafter, (iv) 80% of employees are married with males three (3) years older than females, and (v) demographic assumptions as to mortality, disability, turnover and retirement. While the initial November 2005 analysis was preliminary and unaudited, the report provides preliminary estimates for the actuarial OPEB liability ranges from \$61,500,000 to \$158,100,000 and the ARC ranges from \$9,300,000 to \$17,700,000. This initial analysis is subject to further review and adjustment based in part on further examination of the relevant assumptions, funding approaches and measures which the City may consider to manage plan benefits, address Medicare Part D alternatives, and ongoing changes

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis, Continued
Year ended June 30, 2007

in health care costs and the delivery of health care services. The City expects that as this process continues, estimates of its actuarial unfunded OPEB liability may vary substantially based in part on costs and assumptions used over which the City may have limited or no control. From time to time, the City may consider the legal and economic feasibility of financing all or a portion of the annual OPEB cost and liabilities, as well as available options for managing plan benefits; however, the City has not yet adopted any financing plan for its OPEB liabilities.

The Schools engaged a consultant to assist in estimating its costs and actuarial unfunded OPEB liabilities for all beneficiaries, including retirees of the Schools based on existing plan benefits and certain assumptions. These assumptions include: (i) a discount rate of 5.0%, (ii) 30 year amortization period, (iii) various increases in medical trend rates from 11% in year one decreasing to 5.0% in year thirteen and thereafter, (iv) 70% of employees are married with males three (3) years older than females, (v) demographic assumptions as to mortality, disability, turnover and retirement, (vi) upon reaching the age of 65, all retirees will participate in Medicare Parts A and B, and (vii) all active employees and retirees currently opting out of health insurance coverage are assumed to continue this election. While the initial May 2006 analysis was preliminary and unaudited, the report provides preliminary estimates for the actuarial OPEB liability of approximately \$286,500,000 and an ARC of approximately \$39,000,000. This initial analysis is subject to further review and adjustment based in part on further examination of the relevant assumptions, funding approaches and measures which the Schools may consider to manage plan benefits, address Medicare Part D alternatives, and ongoing changes in health care costs and the delivery of health care services. The Schools expect that as this process continues, estimates of its actuarial unfunded OPEB liability may vary substantially based in part on costs and assumptions used over which the Schools may have limited or no control. From time to time, the Schools may consider the legal and economic feasibility of financing all or a portion of the annual OPEB cost and liabilities, as well as available options for managing plan benefits; however, the Schools have not yet adopted any financing plan for its OPEB liabilities.

Although GASB 45 encourages earlier adoption, implementation by the City and Schools is required for the fiscal year commencing July 1, 2007. A current actuarial analysis is underway for both the City and the Schools but will not be completed before the issuance of the fiscal year 2007 financial reports. As part of the fiscal year 2008 adopted budget, Council appropriated funds in the amount of \$2,293,548 for the purpose of funding OPEB and is planning to increase this in the fiscal year 2009 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



This page intentionally left blank



Government-Wide Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Schedule A

Statement of Net Assets
June 30, 2007

	Governmental Activities	Business - Type Activites	Total Primary Government	Discreetely Presented Component Units	
				Public Schools	Others
ASSETS					
Cash and temporary investments (note 2)	\$ 206,795,701	31,374,297	238,169,998	39,554,827	7,740,537
Receivables, net of allowance for uncollectible amounts (note 3)	70,216,925	14,430,737	84,647,662	15,335,718	29,302,821
Due from component units, net of allowance for uncollectible amounts (note 7)	493,567	-	493,567	-	-
Internal balances (note 1)	973,904	(973,904)	-	-	-
Inventories	435,672	545,086	980,758	1,011,658	6,114,578
Prepaid expenses	872,456	34,433	906,889	775,628	9,372
Restricted assets (note 2):					
Cash and temporary investments with trustee	323,321	1,436,908	1,760,229	-	-
Cash restricted for debt service	-	536,164	536,164	-	-
Cash restricted for debt servive with trustee	-	3,019,964	3,019,964	-	-
Cash with State Set-Aside (note 6)	978,905	-	978,905	-	-
Capital construction:					
Cash and temporary investments	71,941,831	27,273,751	99,215,582	34,511,435	-
Cash and temporary investments with trustee	7,296,510	2,414,256	9,710,766	-	-
Investment - zero coupon bond	401,982	-	401,982	-	-
Capital Assets (notes 4, 6, and 9):					
Land	281,161,966	21,811,127	302,973,093	16,846,470	1,141,308
Construction in progress	101,060,098	12,250,464	113,310,562	11,665,069	1,738,695
Developmental rights	1,342,284	-	1,342,284	-	-
Buildings	520,697,634	5,493,339	526,190,973	36,769,878	1,246,523
Improvements other than buildings	24,863,047	2,913,803	27,776,850	5,604,150	15,625,530
Equipment and vehicles	84,685,930	9,234,456	93,920,386	66,380,772	1,228,738
Infrastructure	1,027,732,119	587,028,522	1,614,760,641	-	-
Accumulated depreciation	(951,526,868)	(159,244,712)	(1,110,771,580)	(43,203,354)	(8,087,018)
Other assets	1,267,571	883,625	2,151,196	-	291,080
Total assets	1,452,014,555	560,462,316	2,012,476,871	185,252,251	56,352,164
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 30,609,467	7,005,997	37,615,464	40,406,084	513,333
Deferred revenues	608,595	4,647,584	5,256,179	-	10,978
Due to primary government (note 7)	-	-	-	-	2,757,455
Long-term liabilities (notes 6, 9, and 10):					
Due within one year	51,385,868	6,697,395	58,083,263	7,081,906	3,097,115
Due in more than one year	451,190,581	212,609,702	663,800,283	36,908,829	28,647,861
Total liabilities	533,794,511	230,960,678	764,755,189	84,396,819	35,026,742
Net Assets					
Invested in capital assets, net of related debt	666,474,648	263,256,688	929,731,336	83,377,822	14,112,400
Restricted for:					
Capital projects	8,818,429	3,053,741	11,872,170	32,955,766	-
Debt service	9,498,240	4,987,244	14,485,484	-	-
Other purposes:					
Expendable	39,740,292	55,711,887	95,452,179	-	-
Nonexpendable	12,795	-	12,795	-	-
Unrestricted	193,675,640	2,492,078	196,167,718	(15,478,156)	7,213,022
Total net assets	918,220,044	329,501,638	1,247,721,682	100,855,432	21,325,422
Total liabilities and net assets	\$ 1,452,014,555	560,462,316	2,012,476,871	185,252,251	56,352,164

CITY OF CHESAPEAKE, VIRGINIA

Schedule B

Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Total	Discretely Presented Component Units		
					Governmental Activities	Business-type Activities		Public Schools	Others	
PRIMARY GOVERNMENT										
Governmental activities:										
General government	\$ 117,954,878	11,622,631	25,133,751	217,934	(80,980,562)	-	(80,980,562)	-	-	-
Public safety	82,617,025	6,128,427	12,988,835	-	(63,499,763)	-	(63,499,763)	-	-	-
Public works	44,270,405	1,285,196	24,823,584	13,447,523	(4,714,102)	-	(4,714,102)	-	-	-
Parks	6,747,501	74,480	158,923	-	(6,514,098)	-	(6,514,098)	-	-	-
Public welfare	40,178,450	2,715,215	25,143,643	-	(12,319,592)	-	(12,319,592)	-	-	-
Education	209,181,274	-	3,050,079	148,576	(205,982,619)	-	(205,982,619)	-	-	-
Interest on long term debt	20,504,113	-	-	-	(20,504,113)	-	(20,504,113)	-	-	-
Depreciation and amortization - net unallocated portion (note 4)	22,485,199	-	-	-	(22,485,199)	-	(22,485,199)	-	-	-
Total governmental activities	543,938,845	21,825,949	91,298,815	13,814,033	(417,000,048)	-	(417,000,048)	-	-	-
Business-type activities:										
Public Utilities	45,326,237	47,743,685	2,168,403	13,108,199	-	17,694,050	17,694,050	-	-	-
Chesapeake Expressway	10,069,048	7,375,691	367,273	-	(2,326,084)	-	(2,326,084)	-	-	-
Stormwater Management	3,504,445	6,645,062	343,273	-	3,483,890	-	3,483,890	-	-	-
Northwest River Park	108,625	120,954	-	-	-	12,329	12,329	-	-	-
Jordan Bridge	1,149,121	1,591,275	-	311,463	-	753,617	753,617	-	-	-
Recreation	666,376	711,779	-	-	-	45,403	45,403	-	-	-
Total business-type activities	60,823,852	64,188,446	2,878,949	13,419,662	-	19,663,205	19,663,205	-	-	-
Total primary government	\$ 604,762,697	\$ 86,014,395	\$ 94,177,764	\$ 27,233,695	\$ (417,000,048)	\$ (417,000,048)	\$ (397,336,843)	-	-	-
COMPONENT UNITS										
Public Schools	\$ 413,008,600	8,398,845	73,594,383	1,922,839	-	-	-	(329,092,533)	-	-
Chesapeake Mosquito Control Commission	4,558,222	-	5,989,637	-	-	-	-	-	1,431,415	-
Economic Development Authority	5,120,015	-	5,686,353	-	-	-	-	-	566,338	-
Chesapeake Port Authority	14,672	-	14,575	-	-	-	-	-	(97)	-
Chesapeake Airport Authority	1,421,866	371,644	1,411,969	-	-	-	-	-	361,747	-
Total component units	\$ 424,123,375	\$ 8,770,489	\$ 86,696,917	\$ 1,922,839	\$ -	\$ -	\$ -	\$ (329,092,533)	\$ 2,359,403	\$ -
General revenues:										
Taxes:										
Property taxes, levied for general purposes					\$ 290,780,794					
Local sales and use taxes					35,952,042					
Business license taxes					24,170,737					
Consumer utility taxes					21,166,147					
Other taxes					41,880,370					
Payment from City					-				202,519,335	
Grants and contributions not restricted to specific programs					32,178,481				166,996,775	
Unrestricted investment earnings					13,435,389		124,242		2,410,518	
Miscellaneous					3,101,211				589,023	
Transfers					1,336,063		(1,336,063)		-	
Total general revenues and transfers					464,001,234		(1,211,821)		372,515,651	
Change in net assets					47,001,186		18,451,384		43,423,118	2,359,403
Net assets - beginning					871,218,858		311,050,254		57,432,314	18,966,019
Net assets - ending					\$ 918,220,044		\$ 329,501,638		1,247,721,682	100,855,432
									21,325,422	

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

This page intentionally left blank



Fund Financial Statements



This page intentionally left blank



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, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 119,991,221	35,736,894	-	25,790,274	181,518,389
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	2,956,420	-	-	-	2,956,420
State categorical aid	1,978,430	-	-	-	1,978,430
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	97,305	-	414,629	1,885,447	2,397,381
Federal government	-	-	324,378	2,085,642	2,410,020
Receivables (note 3):					
Property taxes	21,907,350	-	-	-	21,907,350
Accounts receivable	2,653,015	-	-	645,525	3,298,540
Utility taxes	2,934,589	-	-	-	2,934,589
Interest	1,036,190	300,207	14,339	1,903	1,352,639
Fines	254,434	-	-	-	254,434
Ambulance fees	3,409,691	-	-	-	3,409,691
Restaurant and food tax	1,646,100	-	-	-	1,646,100
Other	1,265,606	19,500	-	187,413	1,472,519
Allowance for uncollectible amounts	(4,570,031)	-	-	-	(4,570,031)
Due from other funds (note 8)	156,457	225,140	-	-	381,597
Restricted assets (note 2):					
Cash and temporary investments with trustee	1,114	322,207	-	-	323,321
Cash with state set-aside (note 6)	978,905	-	-	-	978,905
Capital contruction:					
Cash and temporary investments	-	-	71,941,831	-	71,941,831
Cash and temporary investments with trustee	-	-	7,296,510	-	7,296,510
Investment	-	-	-	401,982	401,982
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	201,067	292,500	-	-	493,567
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 185,487,864	36,896,448	79,991,687	30,998,186	333,374,185

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 5,979,228	599	-	1,296,071	7,275,898
Deposits (note 3)	3,411,325	-	-	118,513	3,529,838
Accrued expenditures (note 3)	6,604,316	-	-	52,316	6,656,632
Deferred revenues (note 5)	21,137,691	-	-	299,965	21,437,656
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	6,940,213	-	6,940,213
Due to other funds (note 8)	-	-	225,140	156,457	381,597
Total liabilities	37,132,560	599	7,165,353	1,923,322	46,221,834
Fund Balances					
Reserved (note 11):					
Expendable	43,175,202	1,173,756	40,677,754	1,868,821	86,895,533
Unexpendable	-	-	-	12,795	12,795
Unreserved:					
Designated for debt service	-	35,722,093	-	-	35,722,093
Designated for cash flow emergencies (note 1)	31,444,789	-	-	-	31,444,789
Designated for operating emergencies (note 1)	26,203,990	-	-	-	26,203,990
Designated - General Fund	1,780,871	-	-	-	1,780,871
Designated - Special Revenue Funds	-	-	-	51,749	51,749
Undesignated	45,750,452	-	32,148,580	-	77,899,032
Undesignated - Special Revenue Funds	-	-	-	26,987,225	26,987,225
Undesignated - Permanent Funds	-	-	-	154,274	154,274
Total fund balances	148,355,304	36,895,849	72,826,334	29,074,864	287,152,351
Total liabilities and fund balances	\$ 185,487,864	36,896,448	79,991,687	30,998,186	333,374,185

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule C, Continued

Balance Sheet
 Governmental Funds
 June 30, 2007

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 \$ 287,152,351

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 \$29,595,563 associated with the internal service funds as indicated below.

Capital assets 1,060,420,647

Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the Statement of Net Assets. 1,267,571

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. 20,829,061

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$973,904 as noted on Schedule E.

Capital assets	29,595,563
Long-term debt	(35,577,548)
Other assets and liabilities	26,619,948
	20,637,963

Unmatured interest payable reported in governmental activities will not be paid with current financial resources, and therefore, is not reported in the funds. (5,088,652)

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 \$34,577,548 associated with the internal service funds as indicated above.

Long-term debt related to assets	(449,679,910)
Long-term debt not related to assets	(17,318,987)

Net assets of governmental activities \$ 918,220,044

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

This page intentionally left blank



CITY OF CHESAPEAKE, VIRGINIA

Schedule D

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 282,647,447	-	-	4,780,731	287,428,178
Other local taxes	114,052,563	-	-	3,759,318	117,811,881
Licenses, permits, and fees	8,267,568	-	-	-	8,267,568
Fines and forfeitures	3,284,658	-	-	-	3,284,658
Investment income	4,696,613	1,416,295	5,502,664	661,801	12,277,373
Revenues from use of property	320,422	115,765	-	316,060	752,247
Charges for services	9,063,057	-	-	5,367,156	14,430,213
Miscellaneous local revenues	320,338	1,174,169	-	617,460	2,111,967
Recovered costs	590,620	3	3,154	1,641,435	2,235,212
Program income	-	-	-	196,657	196,657
Revenues from local developers	-	-	1,539,730	-	1,539,730
Intergovernmental revenues:					
Commonwealth of Virginia	81,903,910	217,934	252,731	19,372,324	101,746,899
Federal government	83,339	-	1,535,420	14,594,337	16,213,096
Mosquito Control Commission	300,000	-	-	-	300,000
Chesapeake Public Schools	1,566,610	1,483,469	-	-	3,050,079
Total revenues	507,097,145	4,407,635	8,833,699	51,307,279	571,645,758
EXPENDITURES					
Current:					
General government	92,748,015	-	-	12,246,568	104,994,583
Public safety	77,003,980	-	-	6,172,860	83,176,840
Public works	47,578,117	-	-	77,579	47,655,696
Parks	6,691,044	-	-	219,303	6,910,347
Public welfare	-	-	-	39,744,863	39,744,863
Education - Payments to Public Schools	186,655,407	15,863,928	-	-	202,519,335
Capital outlay	400,655	-	42,627,541	1,598,902	44,627,098
Debt service	2,244,434	48,964,905	-	719,248	51,928,587
Total expenditures	413,321,652	64,828,833	42,627,541	60,779,323	581,557,349
Excess (deficiency) of revenues over (under) expenditures	\$ 93,775,493	(60,421,198)	(33,793,842)	(9,472,044)	(9,911,591)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES(USES)					
Transfers from other funds (note 8)	\$ 1,959,933	53,836,010	29,724,511	24,656,834	110,177,288
Transfers to other funds (note 8)	(97,319,793)	(2,220,208)	(5,336,952)	(5,468,363)	(110,345,316)
Premiums on general obligation bonds issued (note 6)	-	-	-	-	-
VPSA bonds proceeds (note 6)	-	14,936,256	13,143,744	-	28,080,000
Premiums on VPSA bonds (note 6)	-	927,672	-	-	927,672
Total other financing sources (uses)	(95,359,860)	67,479,730	37,531,303	19,188,471	28,839,644
Net change in fund balance	(1,584,367)	7,058,532	3,737,461	9,716,427	18,928,053
Fund balance - beginning	149,939,671	29,837,317	69,088,873	19,358,437	268,224,298
Fund balance - ending	\$ 148,355,304	36,895,849	72,826,334	29,074,864	287,152,351

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule D, Continued

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2007

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 \$ 18,928,053

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

Depreciation expense	(37,012,667)
Capital outlay expenditures	48,347,149
Donated assets	13,447,523
Noncapitalizable assets related to closed projects	(3,417,200)
Loss on disposal	(319,858)
	<u>21,044,947</u>

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 3,352,616

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)	(28,855,004)
Principal repayments	33,006,614
	<u>4,151,610</u>

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	(533,650)
Compensated absences	(534,153)
Net pension obligation	(10,146)
	<u>(1,077,949)</u>

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses), excluding capital contributions from the primary government, of certain activities of the internal service funds are reported with governmental activities. 601,909

Change in net assets of governmental activities \$ 47,001,186

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

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2007

Schedule E

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
ASSETS							
Current assets:							
Cash and temporary investments	\$ 22,715,706	454,181	4,580,440	3,623,970	31,374,297	25,277,312	
Receivables (note 3):							
Accounts	9,853,782	141,823	4,917,164	35,217	14,947,986	59,978	
Interest	301,926	-	38,661	20,104	360,691	118,860	
Allowance for uncollectible amounts	(704,849)	-	(173,091)	-	(877,940)	-	
Inventory of materials and supplies	536,191	-	-	8,895	545,086	435,672	
Prepaid expenses	34,433	-	-	-	34,433	872,456	
Total current assets	32,737,189	596,004	9,363,174	3,688,186	46,384,553	26,764,278	
Noncurrent assets:							
Restricted assets:							
Cash and temporary investments with trustee	-	1,436,908	-	-	1,436,908	-	
Cash restricted for debt service	536,164	-	-	-	536,164	-	
Cash restricted for debt service with trustee	-	3,019,964	-	-	3,019,964	-	
Capital construction:							
Cash and temporary investments	23,575,068	175,804	3,522,879	-	27,273,751	-	
Cash and temporary investments with trustee	-	2,414,256	-	-	2,414,256	-	
Total restricted assets	24,111,232	7,046,932	3,522,879	-	34,681,043	-	
Capital assets (note 4):							
Land	9,958,229	11,105,618	363,586	383,694	21,811,127	-	
Construction in progress	6,898,179	-	5,339,373	12,912	12,250,464	527,640	
Buildings	73,598	5,389,295	-	30,446	5,493,339	138,579	
Improvements other than buildings	2,840,010	-	-	73,793	2,913,803	398,303	
Equipment and vehicles	2,918,961	5,375,320	87,809	852,366	9,234,456	67,484,028	
Infrastructure	488,521,475	82,355,685	10,950,634	5,200,728	587,028,522	-	
Less accumulated depreciation	(126,619,937)	(27,411,396)	(1,143,620)	(4,069,759)	(159,244,712)	(38,952,987)	
Total capital assets, net of accumulated depreciation	384,590,515	76,814,522	15,597,782	2,484,180	479,486,999	29,595,563	
Other assets	724,966	158,659	-	-	883,625	-	
Total noncurrent assets	409,426,713	84,020,113	19,120,661	2,484,180	515,051,667	29,595,563	
Total assets	\$ 442,163,902	84,616,117	28,483,835	6,172,366	561,436,220	56,359,841	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Statement of Net Assets
 Proprietary Funds
 June 30, 2007

Schedule E, Continued

	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)	\$ 2,529,110	152,691	150,369	101,085	2,933,255	1,082,486	
Accrued expenses and other liabilities (note 3)	535,830	993,072	9,464	7,921	1,546,287	35,748	
Deposits (note 3)	1,818,381	5,000	-	-	1,823,381	-	
Deferred revenues (note 5)	317,210	-	4,277,433	52,941	4,647,584	-	
Construction projects payable (note 3)	657,071	-	46,003	-	703,074	-	
Current portion of long-term debt (note 6)	4,749,639	1,369,519	-	-	6,119,158	-	
Current portion of obligations under capital leases (note 6)	-	-	-	-	-	2,864,106	
Current portion of notes payable (note 6)	115,000	-	-	-	115,000	-	
Current portion of accrued vacation, sick pay, and overtime leave (note 6)	356,755	36,684	44,188	25,610	463,237	203,446	
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	4,828,154	
Total current liabilities	11,078,996	2,556,966	4,527,457	187,557	18,350,976	9,013,940	
Noncurrent liabilities:							
General obligation bonds (note 6)	123,202,703	-	-	-	123,202,703	-	
Revenue bonds (note 6)	-	21,024,912	-	-	21,024,912	-	
Due to Commonwealth of Virginia (note 6)	-	67,525,358	-	-	67,525,358	-	
Obligations under capital leases (note 6)	-	-	-	-	-	7,093,981	
Notes payable (note 6)	230,000	-	-	-	230,000	-	
Accrued vacation, sick pay, and overtime leave (note 6)	482,668	49,630	59,784	34,647	626,729	275,249	
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	-	20,312,612	
Total noncurrent liabilities	123,915,371	88,599,900	59,784	34,647	212,609,702	27,681,842	
Total liabilities	134,994,367	91,156,866	4,587,241	222,204	230,960,678	36,695,782	
Net Assets							
Invested in capital assets, net of related debt	256,638,174	(11,463,448)	15,597,782	2,484,180	263,256,688	19,751,935	
Restricted for:							
Capital projects	500,000	2,553,741	-	-	3,053,741	-	
Debt service	3,572,780	1,414,464	-	-	4,987,244	-	
Other purposes:							
Expendable	46,458,581	954,494	8,298,812	-	55,711,887	-	
Unrestricted	-	-	-	3,465,982	3,465,982	(87,876)	
Total net assets	307,169,535	(6,540,749)	23,896,594	5,950,162	330,475,542	19,664,059	
Total liabilities and net assets	\$ 442,163,902	84,616,117	28,483,835	6,172,366	561,436,220	56,359,841	

Net assets of enterprise funds, Schedule E \$ 330,475,542
 Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (973,904)
 Net assets of business-type activities, Schedule A \$ 329,501,638

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule F

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2007

	Enterprise Funds					Total	Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds			
REVENUES							
Charges for services:							
Sale of water	\$ 30,385,145	-	-	-	-	30,385,145	-
Billings to departments	-	-	-	-	-	-	30,111,324
Billings to outside agencies & component units	-	-	-	-	-	-	1,382,060
Sewer service charges	10,816,131	-	-	-	-	10,816,131	-
Stormwater management fees	-	-	6,629,301	-	-	6,629,301	-
Tolls and tickets	-	7,323,423	-	1,587,152	-	8,910,575	-
Rental fees	1,065,360	-	-	77,779	-	1,143,139	-
Connection fees	4,579,217	-	-	-	-	4,579,217	-
Recreation fees	-	-	-	498,320	-	498,320	-
Miscellaneous	369,705	20,401	9,189	-	-	399,295	-
Recovered costs	1,228	31,867	6,572	-	367	40,034	261,597
Other	517,040	-	-	256,985	-	774,025	-
Total operating revenues	47,733,826	7,375,691	6,645,062	2,420,603	-	64,175,182	31,754,981
OPERATING EXPENSES							
Cost of materials billed	-	-	-	-	-	-	4,004,321
Purchases for resale	12,780,546	-	-	47,713	-	12,828,259	1,691,459
Water production	6,600,364	-	-	-	-	6,600,364	-
Sewer maintenance and operation	4,133,131	-	-	-	-	4,133,131	-
Water maintenance and operation	2,258,574	-	-	-	-	2,258,574	-
Customer service	1,257,654	-	-	-	-	1,257,654	-
General and administrative	1,279,343	133,684	556,939	113,372	-	2,083,338	992,870
Technical services	1,255,444	-	-	-	-	1,255,444	-
Other salaries and wages	-	1,023,633	1,409,701	719,643	-	3,152,977	4,927,387
Other fringe benefits	-	395,174	640,945	229,783	-	1,265,902	1,731,403
Self-insurance losses	-	-	-	-	-	-	7,279,620
Indemnity and medical claims	-	-	-	-	-	-	2,316,363
Other repairs and supplies	-	310,166	130,943	169,289	-	610,398	2,403,422
Equipment rental	-	4,991	2,741	10,433	-	18,165	369,520
Other contractual services	-	1,324,617	496,648	381,294	-	2,202,559	872,781
Depreciation and amortization	9,780,765	4,596,898	334,424	252,595	-	14,964,682	5,403,921
Insurance premiums	-	-	-	-	-	-	1,187,384

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule F, Continued

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2007

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
OPERATING EXPENSES, continued						
Meter reading services	\$ 212,326	-	-	-	212,326	-
Other	3,150	584	-	-	3,734	-
Total operating expenses	39,561,297	7,789,747	3,572,341	1,924,122	52,847,507	33,180,451
Operating income (loss)	8,172,529	(414,056)	3,072,721	496,481	11,327,675	(1,425,470)
NONOPERATING REVENUES (EXPENSES)						
Investment income	2,168,403	367,273	343,273	124,242	3,003,191	1,158,077
Interest expense	(5,907,878)	(2,279,301)	-	-	(8,187,179)	(271,119)
Gain on sale of equipment	9,859	-	-	3,405	13,264	217,189
Loss on sale of equipment	-	-	-	-	-	(370,035)
Total nonoperating revenue (expenses)	(3,729,616)	(1,912,028)	343,273	127,647	(5,170,724)	734,112
Income (loss) before transfers and contributions	4,442,913	(2,326,084)	3,415,994	624,128	6,156,951	(691,358)
Transfers in (note 8)	-	-	-	-	-	1,947,689
Transfers out (note 8)	(7,392)	(691,623)	(594,768)	(42,280)	(1,336,063)	(443,605)
Capital contributions	13,108,199	-	-	311,463	13,419,662	4,826,910
Increase (decrease) in net assets	17,543,720	(3,017,707)	2,821,226	893,311	18,240,550	5,639,636
Total net assets - beginning	289,625,815	(3,523,042)	21,075,368	5,056,851	312,234,992	14,024,423
Total net assets - ending	\$ 307,169,535	(6,540,749)	23,896,594	5,950,162	330,475,542	19,664,059

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

\$ 18,240,550
 210,834
18,451,384

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, 2007

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 46,977,185	7,495,277	5,212,299	2,405,350	62,090,111	32,347,861
Payments to suppliers	(18,912,961)	(1,774,041)	(1,051,710)	(678,467)	(22,417,179)	(16,702,200)
Payments to employees	(10,056,838)	(1,413,112)	(2,035,464)	(943,778)	(14,449,192)	(6,606,763)
Net cash provided by operating activities	18,007,386	4,308,124	2,125,125	783,105	25,223,740	9,038,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	-	1,947,689
Transfers out	(7,392)	(691,623)	(594,768)	(42,280)	(1,336,063)	(443,605)
Repayments of obligations under capital leases for equipment not capitalized	-	-	-	-	-	(222,382)
Net cash provided by (used in) noncapital financing activities	(7,392)	(691,623)	(594,768)	(42,280)	(1,336,063)	1,281,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	9,859	-	-	3,405	13,264	275,435
Acquisition of capital assets	(1,251,772)	(67,015)	(1,688,827)	(160,219)	(3,167,833)	(3,922,877)
Interest paid	(5,920,427)	(2,204,975)	-	-	(8,125,402)	(271,119)
Repayments of obligations under capital leases	-	-	-	-	-	(2,313,509)
Repayments of notes payable	(115,000)	-	-	-	(115,000)	-
Repayments of long-term debt	(4,960,573)	(2,557,760)	-	-	(7,518,333)	-
Net cash provided by (used in) capital and related financing activities	(12,237,913)	(4,829,750)	(1,688,827)	(156,814)	(18,913,304)	(6,232,070)

CITY OF CHESAPEAKE, VIRGINIA

Schedule G, Continued

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2007

	Enterprise Funds					Internal Service Funds
	Public Utilities	Chesapeake Expressway	Stormwater Management	Other Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	\$ 2,060,640	367,273	338,356	143,654	2,909,923	1,154,674
Net cash provided by investing activities	2,060,640	367,273	338,356	143,654	2,909,923	1,154,674
Net increase (decrease) in cash and temporary investments	7,822,721	(845,976)	179,886	727,665	7,884,296	5,243,204
Cash and temporary investments beginning of year	39,004,217	8,347,089	7,923,433	2,896,305	58,171,044	20,034,108
Cash and temporary investments end of year	\$ 46,826,938	7,501,113	8,103,319	3,623,970	66,055,340	25,277,312
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 8,172,529	(414,056)	3,072,721	496,481	11,327,675	(425,470)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization				252,595	14,964,682	5,403,921
Change in assets and liabilities increasing (decreasing) cash and temporary investments:						
Receivables	(2,226,572)	119,586	(3,370,474)	(7,438)	(5,484,898)	592,880
Inventory of materials and supplies	(66,195)	-	-	198	(65,997)	(4,067)
Prepaid expenses and other assets	-	-	-	-	-	(29,559)
Accounts payable	836,194	-	135,561	(2,051)	969,704	538,843
Deferred revenues	-	-	1,937,711	37,671	1,975,382	-
Deposits	1,469,931	-	-	-	1,469,931	-
Accrued expenses and other liabilities	8,169	394	9,250	1,852	19,665	2,914,190
Accrued vacation, sick pay, and overtime leave	32,565	5,302	5,932	3,797	47,596	48,160
Total adjustments	9,834,857	4,722,180	(947,596)	286,624	13,896,065	9,464,368
Net cash provided by operating activities	\$ 18,007,386	4,308,124	2,125,125	783,105	25,223,740	9,038,898
Supplemental information on significant noncash transactions:						
Public Utilities Fund:						
Contributions of capital assets	\$ 13,108,199					
Jordan Bridge Fund:						
Contributions of capital assets	311,463					
Internal Service Funds:						
Borrowing under capital leases	4,478,338					

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

This page intentionally left blank



Fiduciary Fund Financial Statement

Agency Fund – Includes Special Welfare Fund.



This page intentionally left blank



CITY OF CHESAPEAKE, VIRGINIA

Schedule H

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2007

	Special Welfare
ASSETS	
Cash and temporary investments	\$ 20,256
Total current assets	\$ 20,256
LIABILITIES	
Due to children under foster care	\$ 20,256
Total liabilities	\$ 20,256

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

This page intentionally left blank



Other Discretely Presented Component Units

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

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule I

Statement of Net Assets
 Other Discretely Presented Component Units
 June 30, 2007

	Governmental Activities				Business-type Activities			Total
	Chesapeake Mosquito Control Commission		Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority			
ASSETS								
Current assets:								
Cash and temporary investments (note 2)	\$	4,583,436	2,697,255	4,475	455,371	7,740,537		
Receivables, net of allowance for uncollectible amounts		-	29,134,394	-	168,427	29,302,821		
Inventories		535,088	5,579,490	-	-	6,114,578		
Prepaid items		-	-	-	9,372	9,372		
Capital assets:								
Land		204,340	-	-	936,968	1,141,308		
Construction in progress		1,373,180	365,515	-	-	1,738,695		
Buildings		1,246,523	-	-	-	1,246,523		
Improvements other than buildings		14,897	-	-	15,610,633	15,625,530		
Equipment and vehicles		1,062,266	-	-	166,472	1,228,738		
Less accumulated depreciation		(681,142)	-	-	(7,405,876)	(8,087,018)		
Other assets		-	247,436	-	43,644	291,080		
Total assets	\$	8,338,588	38,024,090	4,475	9,985,011	56,352,164		
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued expenses	\$	105,079	154,244	91	253,919	513,333		
Deferred revenues		-	-	-	10,978	10,978		
Due to primary government		-	1,319,095	944,793	493,567	2,757,455		
Current portion of long-term debt		-	2,992,115	-	105,000	3,097,115		
Long term liabilities		-	26,887,861	-	1,760,000	28,647,861		
Total liabilities		105,079	31,353,315	944,884	2,623,464	35,026,742		
Net Assets								
Invested in capital assets, net of related debt		3,220,064	3,942,706	-	6,949,630	14,112,400		
Unrestricted		5,013,445	2,728,069	(940,409)	411,917	7,213,022		
Total net assets		8,233,509	6,670,775	(940,409)	7,361,547	21,325,422		
Total liabilities and net assets	\$	8,338,588	38,024,090	4,475	9,985,011	56,352,164		

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, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Total
Governmental Type Activities								
Chesapeake Mosquito Control Commission	\$ 4,558,222	-	5,989,637	1,431,415	-	-	-	1,431,415
Business-type Activities								
Economic Development Authority	5,120,015	-	5,686,353	-	566,338	-	-	566,338
Chesapeake Port Authority	14,672	-	14,575	-	(97)	-	-	(97)
Chesapeake Airport Authority	1,421,866	371,644	1,411,969	-	-	361,747	-	361,747
Total component units	\$ 11,114,775	371,644	13,102,534	1,431,415	566,338	(97)	361,747	2,359,403
Change in net assets								
Net assets - beginning				\$ 1,431,415	566,338	(97)	361,747	2,359,403
Net assets - ending				\$ 6,802,094	6,104,437	(940,312)	6,999,800	18,966,019
				\$ 8,233,509	6,670,775	(940,409)	7,361,547	21,325,422

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

This page intentionally left blank



Notes to Basic Financial Statements



CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

- The Economic Development Authority of the City of Chesapeake (the EDA) was established under the Industrial Development and Revenue Bond Act, *Code of Virginia*. The EDA is responsible for promoting industry and developing trade by inducing manufacturing, industrial, and commercial enterprises to locate or to remain in the City. The City Council appoints the members of the Board of the EDA. The EDA issued lease revenue bonds for two major construction projects for which the City is the lessor. The City also appropriates funds annually to pay the administrative expenses of the EDA. Separate audited financial statements for the EDA are available through the City's Department of Economic Development at 501 Independence Parkway, Suite 200, Chesapeake, Virginia 23320.
- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority, and funds operating deficits as necessary. The City has also advanced the Airport Authority certain amounts and has provided the Airport Authority with a loan, both of which are still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern, and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. Prior to January 2003, there were five separate commissions serving five of the City's six boroughs through representation from City Council-appointed members. The consolidation of the five commissions into one, approved by City Council, became effective in January 2003. As of June 30, 2007, the Commission has five appointed commissioners. The City finances the

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

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

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

Government-wide and Fund Financial Statements

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

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

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

Additionally, the City reports the following fund types:

Nonmajor governmental funds:

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

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

Nonmajor proprietary funds:

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

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.

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.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

Cash and Temporary Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Assets or Balance Sheet as "Cash and temporary investments." In addition, the City has restricted deposits held by trustees for future retirements of bonds at the appropriate call date, retirements of certain certificates of participation at maturity, and construction projects.

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

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

Receivables and Payables

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

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

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

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

Real Estate

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

Real estate taxes are collected in quarterly payments due September 30, December 30, March 30, and June 5. During the fiscal year, the current year real estate taxes reported as revenue are the levies on assessed valuation on July 1, 2006, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2007 was \$1.09 per \$100 of assessed value with an additional \$.02 per \$100 of assessed value for mosquito control services.

Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2007 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2007 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(1) Continued

Inventories and Prepays

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.

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest expense was capitalized during fiscal year ended June 30, 2007.

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)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(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)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(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.

Designated Fund Balances

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

Net Assets

The government-wide statement of net assets reports \$39,740,292 of expendable restricted net assets for other purposes, of which \$31,444,789 is restricted by enabling legislation.

(2) Deposits and Investments***Deposits***

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia, or covered by federal depository insurance. The cash balance, as of June 30, 2007 is \$105,324,871 including petty cash of \$31,125 and cash in the fiduciary fund of \$20,256. The restricted cash balance as of June 30, 2007 is \$3,015,830 which consists of a repurchase agreement of \$2,036,925 and cash of \$978,905 being held by the Commonwealth of Virginia.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof (including Government sponsored enterprise

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(2) Continued

obligations), obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Money market accounts and mutual funds with underlying securities which are within the parameters described above are also allowable. Statutes limit the localities to a maximum percentage of total investments of 50% for repurchase agreements, 40% for bankers acceptances, 35% for commercial paper or 20% for corporate notes.

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

Credit Risk

Generally credit risk is the risk that, an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented below is the minimum rating required by the Virginia State Code, the City’s investment policy, or the debt agreements as well as the actual investment ratings as of June 30, 2007.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City of Chesapeake investment policy requires all certificates of deposit and time deposits of

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(2) Continued

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

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

The City places no limit on the amount that can be invested in any one issuer beyond that stipulation by Virginia State Code. At June 30, 2007, the City was holding investments in Federal Home Loan Bank of \$73,173,538 which represented 23% of the City's total investments. The City held no other investments by any one issuer that represented over five percent of the City's total investments, other than U.S. Treasury securities, mutual funds, and external investment pools.

Interest Rate Risk

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

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. These debt agreements limit U.S. Agency securities to maturities of less than 5 years and guaranteed investment contracts to maturities of less than 30 years.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2007

(2) Continued

Investments by type at year-end are shown below:

	Average Days to Maturity	Minimum Legal Rating	AAA	AA	A1P1	A1+P1	Unrated
Investments:							
Commercial paper	96	A1/P1/F1	\$ -	-	19,676,782	62,680,998	-
U.S. Government-sponsored coupon securities	493	n/a	91,643,909	-	-	-	-
Corporate notes and municipal notes	258	n/a	2,834,014	5,680,824	-	-	-
Local Government Investment Pool	n/a	n/a	70,313,000	-	-	-	-
Virginia State Non-Arbitrage Program	n/a	n/a	40,298,421	-	-	-	-
Evergreen money market mutual fund	n/a	n/a	571,343	-	-	-	-
Bank money market accounts	n/a	n/a	-	-	-	-	17,067,492
Total			\$ 205,660,687	5,680,824	19,676,782	62,680,998	17,067,492
Restricted investments:							
Bank money market account	1	n/a	\$ -	-	-	-	500,000
Virginia State Non-Arbitrage Program	1	n/a	3,393,571	-	-	-	-
Federated U.S. money market mutual fund	1	n/a	2,242,968	-	-	-	-
U.S. Government-sponsored discount securities	27	n/a	1,960,520	-	-	-	-
STI Classic funds - money market mutual fund	1	n/a	1,210,965	-	-	-	-
Commonwealth Cash Reserve Fund - money market mutual fund	n/a	n/a	4,048,036	-	-	-	-
Total			\$ 12,856,060	-	-	-	500,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(2) Continued

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

Amounts Relating to Component Units

The cash and investments of the Public Schools 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 \$3,157,101, have been excluded because risk information is not available.

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

Deposits and investments reported above:	
Pooled deposits	\$ 105,324,871
Restricted deposits	3,015,830
Investments	324,122,843
Other component units	3,157,101
Total deposits and investments reported above	\$ 435,620,645
Per Schedules A and H:	
Cash and temporary investments	\$ 285,485,618
Cash and temporary investments with trustee	1,760,229
Cash restricted for debt service	536,164
Cash restricted for debt service with trustee	3,019,964
Cash with State Set-Aside	978,905
Investment - zero coupon bond	401,982
Capital construction:	
Cash and temporary investments	133,727,017
Cash and temporary investments with trustee	9,710,766
Total capital construction	143,437,783
Total cash and temporary investments per Schedules A and H	\$ 435,620,645

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, in the Statement of Net Assets as of June 30, 2007 are as follows:

	Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$ 35,922,232	-
Due from Federal government	2,410,020	-
Due from customers	1,730,727	14,070,046
Property taxes receivable	19,167,801	-
Interest receivable	1,471,499	360,691
Other	9,514,647	-
Total accounts receivable	\$ 70,216,925	14,430,737

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2007 are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$ 33,622,156	-	414,629	1,885,447
Due from Federal government	-	-	324,378	2,085,642
Property taxes receivable	19,167,801	-	-	-
Interest receivable	1,036,190	300,207	14,339	1,903
Other	10,332,953	19,500	-	832,938
Total accounts receivable	\$ 64,159,100	319,707	753,346	4,805,930

Property taxes receivable in the General Fund as of June 30, 2007 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 6,810,173	72,992	6,737,181
Personal property	15,090,677	2,666,557	12,424,120
Public service corporations	6,500	-	6,500
Total property taxes receivable	\$ 21,907,350	2,739,549	19,167,801

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(3) Continued

The total allowance for uncollectible amounts in the General Fund is \$4,570,031, which includes a \$1,738,942 allowance for uncollectible emergency medical service fees and a \$91,540 allowance for uncollectible vehicle license fees.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2007 are as follows:

	Due From Customers & Other	Interest Receivable
Public Utilities Fund	\$ 9,148,933	301,926
Chesapeake Expressway Fund	141,823	-
Stormwater Management Fund	4,744,073	38,661
Other enterprise funds	35,217	20,104
Internal Service Funds	59,978	118,860
Total accounts receivable	\$ 14,130,024	479,551

Accounts payable, deposits, and accrued expenses in the Statement of Net Assets as of June 30, 2007 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 8,358,384	2,933,255
Deposits	3,529,838	1,823,381
Accrued expenses, excluding interest	6,692,380	58,103
Construction projects payable	6,940,213	703,074
Accrued interest	5,088,652	1,488,184
Total accounts payable, deposits, and accrued expenses	\$ 30,609,467	7,005,997

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(3) Continued

Accounts payable, deposits, and accrued expenditures in the governmental funds as of June 30, 2007 are as follows:

	Accounts Payable and Deposits	Accrued Expenditures, Excluding Interest	Construction Projects Payable
General Fund	\$ 9,390,553	6,604,316	-
Debt Service Fund	599	-	-
Capital Projects Fund	-	-	6,940,213
Other governmental funds	1,414,584	52,316	-
Total accounts payable, deposits, and accrued expenditures	\$ 10,805,736	6,656,632	6,940,213

Accounts payable, deposits, and accrued expenses in the proprietary funds as of June 30, 2007 are as follows:

	Accounts Payable and Deposits	Accrued Expenses, Excluding Interest	Construction Projects Payable	Accrued Interest
Public Utilities Fund	\$ 4,347,491	32,248	657,071	503,582
Chesapeake Expressway Fund	157,691	8,470	-	984,602
Stormwater Management Fund	150,369	9,464	46,003	-
Other enterprise funds	101,085	7,921	-	-
Internal Service Funds	1,082,486	35,748	-	-
Total accounts payable, deposits, and accrued expenses	\$ 5,839,122	93,851	703,074	1,488,184

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

**Primary government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 271,692,141	9,476,325	(6,500)	281,161,966
Development Rights	-	1,342,284	-	1,342,284
Construction in progress	100,273,601	44,172,731	(43,386,234)	101,060,098
Total capital assets, not being depreciated	371,965,742	54,991,340	(43,392,734)	383,564,348
Capital assets, being depreciated:				
Buildings	514,173,832	6,523,802	-	520,697,634
Improvements other than buildings	24,823,998	39,049	-	24,863,047
Equipment and vehicles	74,715,725	17,159,256	(7,189,051)	84,685,930
Infrastructure	996,590,158	31,642,258	(500,297)	1,027,732,119
Total capital assets, being depreciated	1,610,303,713	55,364,365	(7,689,348)	1,657,978,730
Less accumulated depreciation for:				
Buildings	(143,462,035)	(10,989,625)	-	(154,451,660)
Improvements other than buildings	(7,727,423)	(1,649,680)	-	(9,377,103)
Equipment and vehicles	(48,472,934)	(7,139,411)	6,756,928	(48,855,417)
Infrastructure	(716,204,816)	(22,637,872)	-	(738,842,688)
Total accumulated depreciation	(915,867,208)	(42,416,588)	6,756,928	(951,526,868)
Total capital assets being depreciated, net	694,436,505	12,947,777	(932,420)	706,451,862
Capital assets, net	\$ 1,066,402,247	67,939,117	(44,325,154)	1,090,016,210

Depreciation expense for governmental activities was charged to functions of the primary government for the year ended June 30, 2007 as follows:

General government	\$ 6,548,696
Public safety	416,555
Public works	631,618
Public welfare	79,353
Parks	36,634
Education	6,661,939
Net unallocated portion (depreciation of general infrastructure assets)	22,637,872
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	5,403,921
Total depreciation expense, governmental activities	\$ 42,416,588

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Continued

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$22,485,199 includes the unallocated portion of depreciation expense noted above of \$22,637,872, and amortization of bond costs of issuance, deferred bond premiums and refunding costs of \$152,673.

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

Functions	Project authorization	Expended to June 30, 2007	Committed	Required Future Financing
General government	\$ 42,806,735	17,052,120	25,754,615	none
Public safety	4,823,037	1,382,629	3,440,408	none
Public works	58,639,309	16,797,425	41,841,884	none
Parks	8,339,349	5,740,062	2,599,287	none
Public welfare	720,000	720,000	-	none
Education	67,595,917	59,367,862	8,228,055	none
Total	\$ 182,924,347	101,060,098	81,864,249	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Continued

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 21,567,066	244,061	-	21,811,127
Construction in progress	14,209,141	3,074,132	(5,032,809)	12,250,464
Total capital assets, not being depreciated	35,776,207	3,318,193	(5,032,809)	34,061,591
Capital assets, being depreciated:				
Buildings	5,493,339	-	-	5,493,339
Improvements other than buildings	1,475,719	1,438,084	-	2,913,803
Equipment and vehicles	8,924,594	746,939	(437,077)	9,234,456
Infrastructure	570,719,969	16,308,553	-	587,028,522
Total capital assets, being depreciated	586,613,621	18,493,576	(437,077)	604,670,120
Less accumulated depreciation for:				
Buildings	(627,500)	(139,189)	-	(766,689)
Improvements other than buildings	(401,151)	(64,472)	-	(465,623)
Equipment and vehicles	(5,964,785)	(738,555)	437,077	(6,266,263)
Infrastructure	(137,759,543)	(13,986,594)	-	(151,746,137)
Total accumulated depreciation	(144,752,979)	(14,928,810)	437,077	(159,244,712)
Total capital assets being depreciated, net	441,860,642	3,564,766	-	445,425,408
Capital assets, net	\$ 477,636,849	6,882,959	(5,032,809)	479,486,999

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

Public Utilities	\$ 9,762,585
Chesapeake Expressway	4,579,206
Stormwater Management	334,424
Northwest River Park	4,316
Jordan Bridge	199,740
Recreation	48,539
Total depreciation expense, business-type activities	\$ 14,928,810

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$15,478,900 at June 30, 2007. There was no capitalized interest incurred this fiscal year related to construction in progress; however, there is

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Continued

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

Public Utilities Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 9,726,018	232,211	-	9,958,229
Construction in progress	7,739,174	1,661,398	(2,502,393)	6,898,179
Total capital assets, not being depreciated	17,465,192	1,893,609	(2,502,393)	16,856,408
Capital assets, being depreciated:				
Buildings	73,598	-	-	73,598
Improvements other than buildings	1,401,926	1,438,084	-	2,840,010
Equipment and vehicles	3,031,676	114,741	(227,456)	2,918,961
Infrastructure	474,570,972	13,950,503	-	488,521,475
Total capital assets, being depreciated	479,078,172	15,503,328	(227,456)	494,354,044
Less accumulated depreciation for:				
Buildings	(25,837)	(2,495)	-	(28,332)
Improvements other than buildings	(386,090)	(60,782)	-	(446,872)
Equipment and vehicles	(2,466,593)	(162,259)	227,456	(2,401,396)
Infrastructure	(114,206,288)	(9,537,049)	-	(123,743,337)
Total accumulated depreciation	(117,084,808)	(9,762,585)	227,456	(126,619,937)
Total capital assets being depreciated, net	361,993,364	5,740,743	-	367,734,107
Capital assets, net	\$ 379,458,556	7,634,352	(2,502,393)	384,590,515

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Continued

Chesapeake Expressway Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	118,750	192,050	(310,800)	-
Total capital assets, not being depreciated	11,224,368	192,050	(310,800)	11,105,618
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Equipment and vehicles	5,064,520	310,800	-	5,375,320
Infrastructure	82,355,685	-	-	82,355,685
Total capital assets, being depreciated	92,809,500	310,800	-	93,120,300
Less accumulated depreciation for:				
Buildings	(582,825)	(134,732)	-	(717,557)
Equipment and vehicles	(2,791,186)	(492,769)	-	(3,283,955)
Infrastructure	(19,458,179)	(3,951,705)	-	(23,409,884)
Total accumulated depreciation	(22,832,190)	(4,579,206)	-	(27,411,396)
Total capital assets being depreciated, net	69,977,310	(4,268,406)	-	65,708,904
Capital assets, net	\$ 81,201,678	(4,076,356)	(310,800)	76,814,522

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(4) Continued**Stormwater Management Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 351,736	11,850	-	363,586
Construction in progress	6,338,305	1,220,684	(2,219,616)	5,339,373
Total capital assets, not being depreciated	6,690,041	1,232,534	(2,219,616)	5,702,959
Capital assets, being depreciated:				
Equipment and vehicles	264,407	-	(176,598)	87,809
Infrastructure	8,742,868	2,207,766	-	10,950,634
Total capital assets, being depreciated	9,007,275	2,207,766	(176,598)	11,038,443
Less accumulated depreciation for:				
Equipment and vehicles	(239,758)	(3,841)	176,598	(67,001)
Infrastructure	(746,036)	(330,583)	-	(1,076,619)
Total accumulated depreciation	(985,794)	(334,424)	176,598	(1,143,620)
Total capital assets being depreciated, net	8,021,481	1,873,342	-	9,894,823
Capital assets, net	\$ 14,711,522	3,105,876	(2,219,616)	15,597,782

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 16,846,470	-	-	16,846,470
Construction in progress	1,458,827	10,400,700	(194,458)	11,665,069
Total capital assets, not being depreciated	18,305,297	10,400,700	(194,458)	28,511,539
Capital assets, being depreciated:				
Buildings	36,769,878	-	-	36,769,878
Improvements other than buildings	5,409,691	194,459	-	5,604,150
Furniture, equipment, vehicles, and textbooks	55,237,618	12,479,483	(1,336,329)	66,380,772
Total capital assets, being depreciated	97,417,187	12,673,942	(1,336,329)	108,754,800
Less accumulated depreciation for:				
Buildings	(5,827,071)	(644,464)	-	(6,471,535)
Improvements other than buildings	(2,065,224)	(269,013)	-	(2,334,237)
Furniture, equipment, vehicles, and textbooks	(30,315,325)	(5,322,154)	1,239,897	(34,397,582)
Total accumulated depreciation	(38,207,620)	(6,235,631)	1,239,897	(43,203,354)
Total capital assets being depreciated, net	59,209,567	6,438,311	(96,432)	65,551,446
Capital assets, net	\$ 77,514,864	16,839,011	(290,890)	94,062,985

Depreciation expense of \$6,235,631 was charged to the Public Schools' governmental functions.

(5) Deferred Revenues

Deferred revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred revenues for the primary government's fund-based financial statements at June 30, 2007 are comprised of the following:

	General Fund	Special Revenue Funds	Enterprise Funds
Taxes	\$ 16,347,574	-	-
Personal Property Tax Relief Act	3,209,133	-	-
Emergency medical service fees	1,272,354	-	-
Public Utilities fees	-	-	317,210
Stormwater management fees	-	-	4,277,433
Other	308,630	299,965	52,941
Total deferred revenues	\$ 21,137,691	299,965	4,647,584

(Continued)

Schedule K, Continued

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Long-Term Obligations

(a) A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2007 follows:

	Balances at July 1, 2006	Increases	Decreases	Balances at June 30, 2007	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 376,357,435	28,080,000	(28,509,764)	375,927,671	30,041,076
Lease revenue bond with general obligation pledge	4,775,000	-	(115,000)	4,660,000	120,000
	381,132,435	28,080,000	(28,624,764)	380,587,671	30,161,076
Deferred amounts:					
Plus bond premiums	17,457,841	927,672	(1,696,825)	16,688,688	1,726,684
Less refunding costs	(12,373,302)	-	1,461,869	(10,911,433)	(1,461,869)
Total bonds payable	386,216,974	29,007,672	(28,859,720)	386,364,926	30,425,891
Other long-term obligations:					
Net pension obligation	1,578,412	20,557,684	(20,547,538)	1,588,558	-
Arbitrage	66,616	507,635	-	574,251	-
Compensated absences	15,346,813	12,367,434	(11,785,119)	15,929,128	6,769,880
Literary loans	5,177,355	-	(549,493)	4,627,862	549,493
Installment purchase agreement	-	1,342,284	-	1,342,284	-
Capital leases	12,170,380	4,478,338	(4,058,169)	12,590,549	4,420,575
Capital leases to component unit	31,750,000	-	(2,835,000)	28,915,000	2,955,000
Supplemental payments agreement	24,205,000	-	(1,045,000)	23,160,000	1,095,000
Liability for self-insurance losses	21,240,795	6,889,364	(2,989,393)	25,140,766	4,828,154
Section 108 loan payable	1,995,000	-	(280,000)	1,715,000	300,000
Deferred amounts:					
Plus refunding gains on supplemental payments agreement	670,000	-	(41,875)	628,125	41,875
Total long-term obligations	\$ 500,417,345	75,150,411	(72,991,307)	502,576,449	51,385,868

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2007 follows:

	Balances at July 1, 2006	Increases	Decreases	Balances at June 30, 2007	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 130,434,187	-	(4,960,573)	125,473,614	4,718,897
Deferred amounts:					
Plus bond premiums	6,051,706	-	(324,672)	5,727,034	324,672
Less bond discounts	(32,391)	-	4,216	(28,175)	(4,216)
Less refunding costs	(3,509,845)	-	289,714	(3,220,131)	(289,714)
Total bonds payable	132,943,657	-	(4,991,315)	127,952,342	4,749,639
Notes payable	460,000		(115,000)	345,000	115,000
Compensated absences	806,858	632,005	(599,440)	839,423	356,755
	134,210,515	632,005	(5,705,755)	129,136,765	5,221,394
Chesapeake Expressway:					
Revenue bonds	21,630,000	-	-	21,630,000	385,000
Less bond discount	(241,050)	-	10,481	(230,569)	(10,481)
Total bonds payable	21,388,950	-	10,481	21,399,431	374,519
Due to Commonwealth of Virginia	71,078,118		(2,557,760)	68,520,358	995,000
Compensated absences	81,012	53,243	(47,941)	86,314	36,684
	92,548,080	53,243	(2,595,220)	90,006,103	1,406,203
Stormwater Management:					
Compensated absences	98,040	95,975	(90,043)	103,972	44,188
Nonmajor business-type activities:					
Compensated absences	56,460	44,044	(40,247)	60,257	25,610
Total long-term obligations	\$ 226,913,095	825,267	(8,431,265)	219,307,097	6,697,395

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

(b) Outstanding bonds, literary loans and installment purchase agreement at June 30, 2007 are comprised of the following issues:

	Remaining Interest Rates		Amount Outstanding	Callable
Governmental activities - General Obligation bonds				
1993 Public Improvement Refunding bonds	5.38% - 5.50%	\$	7,356,385	-
1994 Public Improvement bonds	5.00%		5,275,000	5,275,000
1994A School bonds	6.23% - 6.60%		3,588,986	-
1996A School bonds	5.10% - 5.23%		5,950,000	5,355,000
1997A School bonds	5.35% - 6.10%		9,405,000	7,695,000
1998 Public Improvement bonds	4.38% - 5.00%		15,060,000	13,090,000
1998A School bonds	4.35% - 5.10%		4,920,000	4,100,000
1999A School bonds	5.10% - 6.10%		6,500,000	5,000,000
2000A School bonds	5.10% - 5.60%		6,425,000	5,060,000
2001A School bonds	4.85% - 5.60%		5,700,000	4,270,000
2001B School bonds	3.10% - 5.35%		1,337,300	-
2001 Public Improvement bonds	5.00% - 5.50%		2,260,000	1,865,000
2001 Public Improvement Refunding bonds	5.25% - 5.50%		45,260,000	18,410,000
2002A School bonds	5.10% - 5.60%		4,660,000	3,350,000
2002B School bonds	4.10% - 4.35%		3,455,000	-
2003 School Refunding bonds	2.50% - 5.25%		80,780,000	24,425,000
2003A School bonds	4.10% - 5.35%		2,050,000	1,520,000
2003A Public Improvement bonds	2.00% - 4.20%		10,730,000	7,475,000
2004A Public Improvement Refunding bonds	5.00%		53,580,000	9,515,000
2003 Lease Revenue bond with general obligation pledge	4.39%		4,660,000	4,540,000
2005A Public Improvement bonds	3.00% - 4.75%		12,870,000	7,620,000
2005A School bonds	3.10% - 5.10%		18,695,000	11,980,000
2005B School bonds	4.60% - 5.10%		9,215,000	5,910,000
2006A School bonds	4.48% - 5.10%		17,440,000	10,840,000
2006A Public Improvement bonds	4.25% - 4.50%		15,335,000	9,540,000
2006B School bonds	4.23% - 5.10%		17,565,000	10,820,000
2007A School bonds	4.48% - 5.10%		10,515,000	6,530,000
			380,587,671	184,185,000
Add unamortized bond premiums			16,688,688	
Less deferred refunding costs			(10,911,433)	
Total general obligation bonds, governmental activities		\$	386,364,926	
Governmental activities - literary loans				
School literary loans, collateralized by certain school buildings	3.00%	\$	4,627,862	-
Total Literary loans		\$	4,627,862	
Governmental activities - installment purchase agreement				
Installment purchase agreement	4.80%	\$	1,342,284	-
Total Installment purchase agreement		\$	1,342,284	
Business-type activities				
Public Utilities - General Obligation bonds				
1993 Public Improvement Refunding bonds	5.38% - 5.50%	\$	1,583,614	-
1995A Water and Sewer bonds	5.00%		23,100,000	23,100,000
2001 Water and Sewer Refunding bonds	3.88% - 4.25%		5,850,000	-
2003B Water and Sewer bonds	2.00% - 5.00%		51,390,000	44,025,000
2003C Water and Sewer Refunding bonds	2.25% - 3.50%		6,700,000	2,460,000
2004B Water and Sewer Refunding bonds	5.00%		30,750,000	19,130,000
2005B Water and Sewer Refunding bonds	3.00% - 4.00%		6,100,000	2,680,000
			125,473,614	91,395,000
Add unamortized bond premiums			5,727,034	
Less unamortized bond discount			(28,175)	
Less deferred refunding costs			(3,220,131)	
Total Public Utilities bonds		\$	127,952,342	
Chesapeake Expressway - Revenue bonds:				
1999A Toll Road Revenue bonds	5.63%	\$	21,630,000	20,405,000
Less unamortized bond discount			(230,569)	
Total Chesapeake Expressway bonds		\$	21,399,431	

Schedule K, Continued

Noncallable	Call Premium
7,356,385	-
-	.25%-2.00%
3,588,986	-
595,000	.00%-3.00%
1,710,000	.00%-3.00%
1,970,000	.00%-2.00%
820,000	.00%-2.00%
1,500,000	.00%-2.00%
1,365,000	.00%-2.00%
1,430,000	.00%-2.00%
1,337,300	-
395,000	.00 %
26,850,000	.00 %
1,310,000	.00%-1.00%
3,455,000	-
56,355,000	.00 %
530,000	.00%-1.00%
3,255,000	.00 %
44,065,000	.00%-1.00%
120,000	.00%-2.00%
5,250,000	.00%
6,715,000	.00% - 1.00%
3,305,000	.00% - 1.00%
6,600,000	.00% - 1.00%
5,795,000	.00%
6,745,000	.00% - 1.00%
3,985,000	.00% - 1.00%
<hr/>	
196,402,671	
<hr/>	
<hr/>	
<hr/>	
4,627,862	-
4,627,862	
<hr/>	
1,342,284	-
1,342,284	
<hr/>	
1,583,614	-
-	.00%-2.00%
5,850,000	.00 %
7,365,000	.00 %
4,240,000	.00 %
11,620,000	.00%-1.00%
3,420,000	.00%
<hr/>	
34,078,614	
<hr/>	
<hr/>	
<hr/>	
1,225,000	.00% - 1.00%
<hr/>	
<hr/>	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2007 follows:

	Balances at July 1, 2006	Increases	Decreases	Balances at June 30, 2007	Due Within One Year
Compensated absences	\$ 27,668,114	4,486,382	(1,436,213)	30,718,283	1,791,035
Net pension obligation	96,831	2,951,033	(2,951,103)	96,761	-
Liability for self-insurance losses	1,288,287	4,369,328	(3,167,087)	2,490,528	2,490,528
Capital leases	6,988,358	7,600,000	(3,903,195)	10,685,163	2,800,343
Total long-term obligations	\$ 36,041,590	19,406,743	(11,457,598)	43,990,735	7,081,906

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

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

Year ending June 30:	Bonds		Governmental Activities				Business-Type Activities			
	Principal	Interest	Literary Loans Principal	Literary Loans Interest	Installment Purchase Agreement Principal	Installment Purchase Agreement Interest	Public Utilities - Bonds Principal	Public Utilities - Bonds Interest	Chesapeake Expressway - Bonds Principal	Chesapeake Expressway - Bonds Interest
2008	30,161,076	18,453,305	549,493	138,836	-	70,515	4,718,897	5,772,804	385,000	1,205,859
2009	32,817,111	16,938,510	549,493	122,351	-	64,430	4,819,154	5,610,699	410,000	1,183,500
2010	32,098,360	15,329,059	549,493	105,866	-	64,430	4,595,563	5,414,012	430,000	1,159,875
2011	31,862,574	13,721,329	549,493	89,381	-	64,430	4,455,000	5,218,365	455,000	1,134,984
2012	31,742,175	12,111,574	509,578	72,897	-	64,430	4,640,000	5,015,840	480,000	1,108,688
2013-2017	136,824,226	35,988,101	1,321,705	197,572	-	322,148	25,910,000	21,959,458	2,840,000	5,093,719
2018-2022	51,617,149	13,533,076	598,607	35,916	-	322,148	28,160,000	15,782,794	3,735,000	4,174,453
2023-2027	32,665,000	3,670,489	-	-	-	322,148	30,435,000	8,158,788	4,915,000	2,965,922
2028-2032	800,000	20,400	-	-	1,342,284	322,147	14,415,000	3,063,500	6,460,000	1,375,313
2033	-	-	-	-	-	-	3,325,000	166,250	1,520,000	42,750
	\$ 380,587,671	129,765,843	4,627,862	762,819	1,342,284	1,616,826	125,473,614	76,162,510	21,630,000	19,445,063

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

- (d) In May 2007, the City sold \$10,515,000 of general obligation school bonds to the Virginia Public School Authority at a true interest cost of 4.36% and a premium of \$490,261. The bonds were issued to partially fund the construction of a new middle school.
- (e) On February 26, 2003, City Council adopted an ordinance establishing the Open Space and Agricultural Preservation Program (OSAP). The purpose of the program is to encourage and promote the conservation of open space and agricultural land to preserve the rural character of Chesapeake. In January 2007, the City entered into its initial Installment Purchase Agreement in the amount of \$1,342,284 for the acquisition of development rights through the purchase of preservation easements on land meeting the eligibility criteria. The agreement provides for the payment of the principal balance in a single installment due in 2032, with interest on the unpaid balance payable semi-annually until that date. This obligation represents general obligation debt that will be repaid from maturing zero coupon Treasury securities.
- (f) In November 2006, the City sold \$17,565,000 of general obligation school bonds to the Virginia Public School Authority at a true cost of 4.32% with a premium of \$437,411. The bonds were issued to partially fund the construction of a new middle school and high school.
- (g) In December 2003, the CSB of Chesapeake, Inc., a blended component unit reported as a special revenue fund of the City, issued a \$4,940,000 lease revenue bond with a fixed interest rate of 4.39%. The City has pledged its full faith and credit for this obligation, which was incurred to construct the Community Services Board building. The holding bank may require prepayment of this bond on January 1, 2014, with at least 90 days written notice to the City. Therefore, although the bond has a maturity of July 1, 2030, the remaining principal is reflected as being due in 2014. At June 30, 2007, \$4,660,000 was outstanding.
- (h) In July 1999, the City sold \$21,630,000 Chesapeake Expressway Toll Road Revenue Bonds with a stated interest rate of 5.625%. An original issue discount of \$314,414 was offered, for a true interest rate on the issue of 5.824%. The bonds, together with state and federal funds, financed a \$116 million toll road project. This toll road began operations in 2001. Revenues of the Chesapeake Expressway Enterprise Fund are used as set forth in the indenture of trust to fund operations and maintenance and debt service on the toll road revenue bonds.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

In addition, the City entered into a “City-State Agreement” with the Virginia Department of Transportation (VDOT), in which the City will repay with interest certain contributions provided by VDOT, once all funding requirements for the toll road revenue bonds have been met per the indenture and the project generates sufficient net revenues. State contributions to be repaid as of June 30, 2007 amounted to \$68,520,358. Revenues generated from the project were used to make a \$2,557,760 repayment of Toll Facilities Revolving Account (TFRA) payment to VDOT. No payment schedule has been established.

- (i) In July 1997, the Commonwealth Transportation Board issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. The net proceeds were used to finance the City’s Oak Grove Connector project. These bonds are not obligations of the City. However, at the time of issuance, the City entered into a Supplemental Payments Agreement (SPA) with the Commonwealth Transportation Board to make annual payments equal to the debt service payments on these bonds based on the original terms of the bonds including principal amount of \$33,075,000, interest rates ranging from 5.00% to 5.25%, and a maturity date of 2022. In May 2006 the Commonwealth Transportation Board refunded the bonds maturing in the years 2008 – 2022 in the amount of \$23,830,000. The Supplemental Payments Agreement has been adjusted accordingly to reflect a total debt service savings of \$1,615,054 including principal savings in the amount of \$670,000. The SPA is being paid from recordation tax revenues of the City which have been set aside for such purpose in the Transportation Improvement Program Set-Aside Fund for the account of the City. The SPA states that if the City’s portion of State recordation taxes dedicated by the City Council to pay the debt service for the project is not sufficient to cover the projected annual debt service on the bonds, the City will allocate, on an annual basis, subject to appropriation, certain local revenues to pay an amount equal to the annual debt service on the bonds, less the City’s share of State recordation taxes already dedicated to the Set-Aside Fund. Payments on the SPA are not secured by a pledge of the City’s full faith and credit. The City made a \$1,045,000 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, 2007

(6) Continued

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2007.

Fiscal year ending June 30:	Principal	Interest
2008	1,095,000	1,132,313
2009	1,140,000	1,085,775
2010	1,190,000	1,037,325
2011	1,240,000	986,750
2012	1,305,000	924,750
2013-2017	7,555,000	3,579,500
2018-2022	9,635,000	1,491,750
Total payments	\$ 23,160,000	10,238,163

- (j) In November 1996, the City financed a new Chesapeake Circuit Court building through financing arrangements with the EDA, a component unit of the City. Under the arrangement, the EDA issued \$24,460,000 in public facility lease revenue bonds to finance the construction, and the City leases the building from the EDA. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2007, \$15,405,000 was outstanding.
- (k) In June 1994, the City financed a 320-bed addition to the City jail through a financing arrangement with the EDA. Under the arrangement, the EDA issued \$30,205,000 tax-exempt lease revenue bonds to finance the expansion, and the City leases the jail from the EDA. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue bonds to refund all of the remaining outstanding 1994 bonds. The scheduled payments that the City makes to the trustee are used to pay debt service on the bonds. The 20-year schedule of rent payments due under this agreement is included in the City's capital leases to component unit. At June 30, 2007, the amount owed by the City under this capital lease obligation was \$13,510,000.

In addition, the Commonwealth of Virginia has agreed to reimburse the City for a portion of the capital costs and financing costs of the City jail project. This agreement was signed in June 1994. At that time, total reimbursement to the City was projected to be \$16,078,836, to be reimbursed on an installment basis for 20 years,

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2007

(6) Continued

and subject to General Assembly approval. In April 2004 and March 2005, portions of the debt related to the City jail project were refunded.

Under the agreement the Commonwealth has the right to modify the reimbursement installments in the event of a refunding, but an adjusted schedule has not yet been received from the Commonwealth. Total reimbursements of \$10,881,502 have been received by the City as of June 30, 2007. The current year reimbursement was \$833,490.

(1) Notes payable at June 30, 2007 consisted of the following:

Business-type activities - Public Utilities Fund	345,000
Total notes payable	\$ 345,000

In April 2003, the City agreed to pay \$808,075 to the City of Norfolk for an under-billing of treated water. The payments, without interest, began in fiscal year 2004 and will be made over seven years. The remaining balance at June 30, 2007 is \$345,000.

The following table summarizes the City's payment requirements for the notes payable as of June 30, 2007:

	Business-type Activities Public Utilities Fund
Fiscal years:	
2008	115,000
2009	115,000
2010	115,000
Total payments	345,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

(m) 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, 2007 was the settlement date, and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Expressway Fund, or the governmental activities column of the Statement of Net Assets, depending on the bond issue and timing of payment.

The fund balance in the Debt Service Fund, where interest earnings are accumulated for all applicable obligations, has been reserved in an amount equal to the liability in the Statement of Net Assets.

(n) 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 is generally liquidated by the General Fund, and the liability for Self-Insurance losses is liquidated by the Self-Insurance Fund. The early retirement plan is liquidated by the Public Schools, a component unit.

(o) In October 1996, the City entered into a Section 108 loan in the amount of \$3,100,000. These funds were used for Community Development and will be repaid in annual installments through August 2011 with remaining interest rates ranging from 6.46% to 6.78%. In September 2003, the City drew an additional \$720,000 against the original \$3,800,000 Section 108 Loan Guarantee authorization, approved by City Council in 1996. Principal payments are due August 1, 2010 and August 1, 2011 in the amounts of \$330,000 and \$390,000 respectively. Interest is paid quarterly on the unpaid principal balance on the first day of February, May, August, and November. The interest rate is equal to 20 basis points (0.2 percent) above the applicable three-month London Interbank Offered Rate (LIBOR). Future debt service payments for the September 2003 draw are based on the interest rate of 5.56% effective June 30, 2007.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

The following is a schedule of projected future loan payments:

Fiscal year ending June 30:	Principal	Interest
2008	300,000	96,072
2009	320,000	75,761
2010	340,000	53,795
2011	365,000	27,458
2012	390,000	5,421
Total payments	\$ 1,715,000	258,507

- (p) Under a City charter amendment approved by the General Assembly of Virginia during 1994, City Council may authorize issuance of bonds or notes in any calendar year in an amount not to exceed \$4,500,000 plus the amount of all bonds and notes retired in the prior calendar year, provided that the amount of such bonds or notes together with existing indebtedness of the City does not exceed 8% of the assessed valuation of real estate in the City subject to taxation, as shown by the last preceding assessment for taxes. The charter bond authorization for the calendar year ended December 30, 2006 was \$33,790,000. Any bonds or notes in excess of this amount must either be intended to refund other debt or be supported by a referendum, except as noted in Chapter 6, Section .05 of the City Code. Contractual obligations, other than bonds and notes, are excluded from the City's annual borrowing limit. The total charter bonds authorized but unissued are \$123,975,097 as of June 30, 2007.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

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

Assessed valuation - real estate		\$ 22,067,528,772
<hr/>		
Legal debt limit - 10% of assessed valuation		\$ 2,206,752,877
Amount of debt applicable to legal debt limit:		
General bonded debt	\$ 533,661,431	
Plus:		
Notes payable	345,000	
Less:		
Self-supporting debt not chargeable to debt limit	81,330,000	
Amounts available for debt service	35,722,093	
<hr/>		
		416,954,338
<hr/>		
Legal debt margin available		\$ 1,789,798,539
<hr/>		
Percent of:		
Legal debt margin outstanding		18.9%
Legal debt margin available		81.1%
<hr/>		
		100.0%
<hr/>		
Summary of assessed valuation:		
Public service real estate	\$ 877,374,740	
Other city real estate	21,190,154,032	
<hr/>		
		\$ 22,067,528,772
<hr/>		

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of debt per capita and a threshold of 3.5% of debt to assessed value of taxable real property. For fiscal year 2007 management believes the City is in compliance with these policies.

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(6) Continued

Project. The bonds are being repaid through City lease payments on the facility. The remaining interest rates on the bonds vary from 5.25% to 6.25%. At June 30, 2007, \$15,405,000 remains outstanding, \$14,230,000 of which is callable.

On June 1, 1994, the EDA issued \$30,205,000 of Lease Revenue Bonds to finance construction of the City of Chesapeake Jail Project. The bonds are being repaid through City lease payments on the facility. In March 2005, the EDA issued \$16,765,000 of public facility lease revenue refunding bonds, to refund the remaining outstanding 1994 Public Facility Lease Revenue Bonds of \$18,050,000. At June 30, 2007, \$13,510,000 remains outstanding, of which none are callable.

In October 1998, the City entered into a support agreement with the Chesapeake Airport Authority, to provide a non-binding obligation of the City to consider certain appropriations to the Airport Authority in conjunction with the Airport Authority's issuance of \$2,500,000 Airport Revenue Bonds. The bonds, issued in January 1999, funded the acquisition, construction, and equipping of airplane hangers and related facilities at the Chesapeake Municipal Airport. The City's support extends only to the debt service reserve account for these bonds, as required under the master indenture, to appropriate sufficient funds if a deficit exists in the debt service reserve account. At June 30, 2007, \$1,865,000 remains outstanding, \$1,650,000 of which is callable.

(7) Advances and On Behalf Of Payments

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

Component Unit – Chesapeake Airport Authority

The General Fund advanced the Airport Authority \$232,000 in 1992 for a runway extension and 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 be made until the advance is repaid in full, which would be no later than December 15, 2019. The Airport Authority began making the required payments to the City on December 15, 2005. A reservation of fund balance has been made in the General Fund for the balance outstanding at June 30, 2007 of \$201,067.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(7) Continued

On June 21, 2000, the City Council approved a \$390,000 non-interest bearing loan to the Airport Authority for capital improvements. This advance was made from the Debt Service Fund. Semi-annual payments of \$19,500 began on June 15, 2005 and will continue each year until the loan is repaid in full, which would be no later than December 15, 2014. A reservation of fund balance has been made in the Debt Service Fund for the balance outstanding at June 30, 2007 of \$292,500.

The General Fund also budgeted payments of \$464,901 and made payments of \$465,193 on behalf of the Airport Authority during fiscal year 2007. The City does not intend to collect these payments from the Airport Authority.

Component Unit – Chesapeake Port Authority

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$14,553 on behalf of the Port Authority during fiscal year 2007. The City does not intend to collect these payments from the Port Authority.

Component Unit –Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2007, \$1,319,095 is outstanding in the General Fund. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the City budgeted and made payments of \$327,594 on behalf of the Authority during fiscal year 2007. The City does not intend to collect these payments from the EDA.

Advances from the primary government to its component units as reported on the Statement of Net Assets as of June 30, 2007 is summarized as follows:

Advances to Airport Authority	\$	493,567
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,757,069
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units	\$	493,567

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(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, 2007 are as follows:

Due To Other Funds	Due From Other Funds	
	Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ -	156,457
Debt Service Fund	225,140	-
Total interfund balances	\$ 225,140	156,457

These interfund balances are a result of individual fund overdrafts of pooled cash reported as a receivable to the General Fund and temporary capital project funding. The amount due from the nonmajor governmental funds of \$156,457 is due within one year.

In addition, the City purchased the Chesapeake Conference Center and one acre of land for a parking facility on July 1, 1998 with accumulated reserves in the Debt Service Fund, which were not already dedicated to the repayment of the debt. City Council authorized the purchase and the repayment of \$9,142,398 of funds advanced. The funds are accruing interest and began being repaid to the Debt Service Fund from the Conference Center Special Revenue Fund surpluses beginning in fiscal year 2001, subject to annual appropriation by City Council. The amount repaid in the current year was \$615,639.

Individual fund interfund transfers for the primary government were made for budgeted operating, debt service, and capital purposes. In the year ended June 30, 2007, City Council approved transfers totaling \$26,050,226 to the Capital Projects Fund. Included in these transfers were funding for various capital projects, which came from prior years excess revenues over budget. Major projects included \$2,925,000 for drainage projects; \$1,159,200 for intersection improvements; \$1,000,000 for bridges and \$1,500,000 for Long Bridge Replacement Project.

(Continued)

Notes to Basic Financial Statements
June 30, 2007

(8) Continued

Interfund transfers for the year ended June 30, 2007 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	Stormwater Management Fund	Chesapeake Expressway Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total	
General Fund	\$ -	532,208	8,545	682,382	-	-	315,253	42,280	379,265	1,959,933	
Debt Service Fund	46,667,496	-	5,046,635	2,121,879	-	-	-	-	-	53,836,010	
Capital Projects Fund	26,050,226	1,688,000	-	1,509,915	-	100,000	376,370	-	-	29,724,511	
Nonmajor governmental funds	23,888,362	-	91,772	612,360	-	-	-	-	64,340	24,656,834	
Internal Service Funds	713,709	-	190,000	541,820	7,392	494,768	-	-	-	1,947,689	
Total	\$ 97,319,793	2,220,208	5,336,952	5,468,356	7,392	594,768	691,623	42,280	443,605	112,124,977	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(9) Leases

The City and Schools, a component unit, lease certain property under noncancelable capital leases and certain facilities under noncancelable operating leases with scheduled rent increases. At June 30, 2007, the City's capital assets from governmental activities include \$54,665,000 of buildings leased from component units and leased equipment of \$23,692,271. Current year amortization expense for leased assets is \$3,477,496 and is included in depreciation expense. Accumulated amortization expense for these assets is \$16,094,067.

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, 2007 are as follows:

	Capital	Operating
Fiscal years:		
2008	9,227,877	687,762
2009	8,136,263	612,408
2010	6,826,131	545,041
2011	6,026,584	420,538
2012	5,239,178	9,998
2013-2017	14,346,363	-
Total future minimum lease payments	49,802,396	\$ 2,275,747
Less amounts representing interest	8,296,847	
Present value of minimum capital lease payments	\$ 41,505,549	

Total governmental operating lease payments for the year ended June 30, 2007 were \$968,476.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(9) Continued

At June 30, 2007, the Schools capital assets include \$13,177,157 of equipment financed under capital leases. Current year amortization expense for leased assets is \$201,839. Accumulated amortization expense for these assets is \$2,294,279. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2007 are as follows:

Fiscal years:		
2008	\$	3,179,801
2009		2,348,127
2010		1,505,806
2011		1,505,806
2012		692,266
2013-2017		2,967,429
<hr/>		
Total future minimum lease payments		12,199,235
Less amounts representing interest		1,514,072
<hr/>		
Present value of minimum capital lease payments	\$	10,685,163

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(10) Continued

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

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at www.VAretire.org or by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 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, 2007 were 16.00% and 15.02%, respectively, of annual covered payrolls.

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

		Annual Required Contributions	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
2007	\$	29,258,886	29,258,886	100%
2006		22,683,414	22,683,414	100%
2005		20,185,748	20,185,748	100%

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(10) Continued

Annual Pension Cost

For the year ended June 30, 2007, the City's and Schools' annual pension cost and net pension obligation were as follows:

	City	Schools
Annual required contribution	\$ 20,547,538	2,951,103
Interest on net pension obligation	126,273	7,262
Adjustment to annual required contribution	(116,127)	(7,332)
Annual pension cost	20,557,684	2,951,033
Less contributions made	20,547,538	2,951,103
Decrease in net pension obligation	10,146	(70)
Net pension obligation at June 30, 2006	1,578,412	96,831
Net pension obligation at June 30, 2007	\$ 1,588,558	96,761

The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 investment rate of return, (b) projected salary increases from 3.50% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and Schools' unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period 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, 2007	\$ 20,557,684	100.0%	\$ 1,588,558	\$ 2,951,103	100.0%	\$ 96,761
June 30, 2006	\$ 18,945,290	100.0%	\$ 1,578,412	\$ 2,363,221	100.0%	\$ 96,831
June 30, 2005	18,071,731	100.4%	1,589,680	2,227,623	100.0%	96,693

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule K, Continued

Notes to Basic Financial Statements
June 30, 2007

(11) Reserved Fund Balances

Primary Government

The reserved fund balances in the fund financial statements at June 30, 2007 were as follows:

	General	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
RESERVED FOR:					
Expendable:					
Advances to component units	\$ 201,067	292,500	-	-	493,567
Reserve for debt service	-	307,006	-	-	307,006
Oak Grove Connector construction	980,019	-	-	-	980,019
Radio system	2,445,397	-	2,043	-	2,447,440
City future capital projects	3,188,196	-	18,210,548	-	21,398,744
Schools future capital projects	18,590,552	-	-	-	18,590,552
Treasurer's EGOV	16,169	-	-	-	16,169
Road/Transportation	14,955,961	-	-	-	14,955,961
Open space projects	-	-	1,432,946	-	1,432,946
City Courts construction	-	-	5,129,478	-	5,129,478
City Jail construction	-	-	2,167,032	-	2,167,032
AIW Bridge	-	-	62,024	-	62,024
Drainage projects	-	-	3,569,921	-	3,569,921
Other	-	-	436,343	-	436,343
Arbitrage rebate	-	574,251	-	-	574,251
Encumbrances	2,797,841	-	9,667,418	1,868,821	14,334,080
Nonexpendable:					
Nonexpendable fund corpus	-	-	-	12,795	12,795
	\$ 43,175,202	1,173,756	40,677,754	1,881,616	86,908,328

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(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, 2007.

(13) Hospitalization Benefits for Certain Retired Employees

(a) 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 15 or more years of service. Employees under age 65 who retire on VRS disability retirement after 15 or more years of service may also obtain coverage for their dependents. However, the City does not absorb any costs associated with this benefit unless the retiree has 20 or more years of service. As of June 30, 2007, 260 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, 2007 were \$1,444,285.

The City also offers and funds hospitalization benefits to retired employees hired before July 1, 2007, who are over age 65 and eligible for Medicare and who retire after 15 or more years of service. Those employees who retire on VRS disability retirement after 15 or more years of service may also obtain coverage for their dependents. As of June 30, 2007, 113 retired 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, 2007 were \$279,436.

(b) The Schools offer medical benefits to employees who retire with at least 10 years of service with the school division. Qualifying retirees under the age of 65 remain on the regular employee medical plan and may obtain coverage for their dependents. At June 30, 2007, 495 eligible retirees were receiving these benefits with a Schools

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(13) Continued

contribution towards the cost. Schools account for these benefits as they are incurred and the expenses are included as part of the operating budget for the school division. The expenditures for the year ended June 30, 2007 were \$3,106,409.

Schools also offer medical benefits to retirees who are age 65 and above who are eligible for Medicare and have at least 10 years of service with the school division. A Schools contribution towards dependent coverage is not available. At June 30, 2007, 378 eligible retirees were receiving these benefits with a Schools contribution towards the cost. Schools account for these benefits as they are incurred and the expenses are included as part of the operating budget for the school division. The expenditures for the year ended June 30, 2007 were \$497,407.

- (c) Beginning with the fiscal year ending June 30, 2008, the City and Schools will implement the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under this statement the City and Schools will be required to recognize the cost of other postemployment benefits over the active service life of its employees rather than as they are incurred.

(14) Commitments

Lake Gaston Pipeline Project

On November 10, 1987, the City Council authorized the City Manager to execute a contract with the City of Virginia Beach pertaining to the design, construction and operation of a project to provide facilities for withdrawal and transportation of water from Lake Gaston to the City and to the City of Virginia Beach. Upon execution of the contract, the City agreed to purchase a one-sixth (1/6) ownership interest in the project and, accordingly, will be entitled to use water transported by the project in proportion to its ownership interest. The City will fund one-sixth of any and all costs relating to the acquisition, design, construction and operation of the Project except for certain costs related to normal maintenance and operation that fluctuate and which will be funded based upon the amount of water pumped through the pipeline. As of June 30, 2007, the City has incurred cumulative costs of \$24,819,481 related to the design and construction of the pipeline, with \$1,855 relating to fiscal year 2007. These costs are capitalized in the Public Utilities Fund.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(14) Continued***Capital Improvements Program***

The City Council adopted a five-year capital improvements program on May 22, 2007 the total estimated cost of which amounted to \$705,581,033 to be funded from anticipated state and federal funds, debt financing, local fees and funds on hand, both appropriated and unappropriated. The first year of the plan was appropriated on the same date. A summary of the sources of funds for the amended capital budget follows:

VDOT reimbursement	\$ 32,049,000
Funds from Other Agencies	188,028,595
Funds Previously Appropriated	140,002,445
General Construction Fund Balance	550,000
General Fund	9,827,000
General Fund Balance	1,475,000
Greenbrier TIF Cash	9,130,978
SoNo TIF Cash	2,500,000
Public Utilities - Fund Balance	28,091,000
Stormwater Management Fees	27,700,000
Redirects from Other Projects	115,000
Borrowing Authority - Unissued	46,865,018
Public Utilities - Unissued Borrowing	70,805,000
Borrowing Authority - Greenbrier TIF	64,690,962
Borrowing Authority - SoNo TIF	53,154,435
Reserve for City Capital - Cash	432,000
Reserve for School Capital - Cash	1,667,600
VSPA Borrowing	28,497,000
	\$ 705,581,033

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

The City is exposed to various risks of loss related to civil torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for up to: a) \$1,000,000 per claim

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

(15) Continued

for general and automobile liability claims; b) \$1,000,000 per workers' compensation claim; and c) \$100,000 per claim for most other types of exposures including public official and law enforcement officer liability. The excess of each of these limits up to \$5,000,000 is covered by commercial insurance policies. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. The Self-Insurance Fund also provides for 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 except that the self-insurance coverage was increased from \$750,000 to \$1,000,000 for workers compensation claims effective July 1, 2006.

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

The claims liability of \$25,140,766 reported in the Self-Insurance Fund at June 30, 2007 is based on the requirements of the GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. It requires that a liability for claims should be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes an amount for claims that have been incurred but not reported (IBNR).

Changes in the Self-Insurance Fund's liability amount during the fiscal years ended June 30, 2007 and 2006 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2006-2007	\$ 21,240,795	7,029,524	3,129,553	25,140,766
2005-2006	\$ 20,996,448	3,231,257	2,986,910	21,240,795

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
 June 30, 2007

(15) Continued

The Public Schools, a component unit, is self-insured for its workers' compensation and dental insurance. Workers' compensation has a \$500,000 limit per claim. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. Amounts due in future years on claims as of June 30, 2007 are recognized as a long-term liability. 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, 2007 is \$2,490,528.

Changes in the Public Schools' liability for self-insurance losses amount during the fiscal years ended June 30, 2007 and 2006 were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2006-2007	\$ 1,288,287	4,369,328	3,167,087	2,490,528
2005-2006	\$ 1,037,323	3,973,249	3,722,285	1,288,287

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.

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Notes to Basic Financial Statements
June 30, 2007

expenditures disallowed under terms of the grant. Based on prior experience, City management believes such disallowances, if any, will not be significant.

(16) Fund Deficits

The Self Insurance Fund, an Internal Service Fund, had a net asset deficit of \$9,034,181 at June 30, 2007. This deficit will be funded by future internal billings to other funds of the City.

The Chesapeake Expressway Fund, an Enterprise Fund, had a net asset deficit of \$6,540,749 at June 30, 2007. Depreciation expense began in 2001 when the Chesapeake Expressway was capitalized. Principle payments on Chesapeake Expressway debt begin in January 2007. The deficit will be reduced as the debt is repaid and future toll revenue is collected.

The Community Development Fund, a Special Revenue Fund, had a fund balance deficit of \$16,639 at June 30, 2007. This deficit will be funded by future intergovernmental revenues.

The Chesapeake Port Authority, a component unit, had a net asset deficit of \$940,409 at June 30, 2007. This deficit consists of an advance of \$944,793 to the Port Authority from the General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

This page intentionally left blank



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, 2007

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	\$ 281,310,810	281,310,810	282,647,447	1,336,637
Other local taxes	113,070,843	111,508,717	114,052,563	2,543,846
Licenses, permits, and fees	7,369,218	7,369,218	8,267,568	898,350
Intergovernmental revenues:				
Commonwealth of Virginia	75,748,885	77,129,130	81,903,910	4,774,780
Federal government	75,000	85,931	83,339	(2,592)
Recovered costs	20,200	20,200	590,620	570,420
Investment income	1,500,000	1,500,000	4,696,613	3,196,613
Revenues from use property	260,316	260,316	320,422	60,106
Charges for services	7,618,843	7,712,033	9,063,057	1,351,024
Fines and forfeitures	3,162,400	3,564,461	3,284,658	(279,803)
Miscellaneous local revenues	580,820	578,320	320,338	(257,982)
Total revenues	490,717,335	491,039,136	505,230,535	14,191,399
EXPENDITURES				
Current:				
General government	100,853,346	101,355,529	93,039,765	8,315,764
Public safety	79,059,765	78,642,752	77,063,770	1,578,982
Public works	48,873,997	50,263,658	47,627,232	2,636,426
Parks	7,408,187	7,036,602	6,691,044	345,558
Debt Service	2,250,120	2,244,435	2,244,434	1
Total expenditures	238,445,415	239,542,976	226,666,245	12,876,731
Excess of revenues over expenditures	252,271,920	251,496,160	278,564,290	27,068,130
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	837,933	1,536,475	1,959,933	423,458
Transfer from component units	300,000	300,000	1,866,610	1,566,610
Transfer from component unit - cash reversion	-	-	31,201	31,201
Transfers to other funds	(78,823,685)	(97,802,092)	(97,319,793)	482,299
Transfer to component units	(174,460,818)	(186,686,608)	(186,686,608)	-
Total other financing sources (uses)	(252,146,570)	(282,652,225)	(280,148,657)	2,503,568
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	125,350	(31,156,065)	(1,584,367)	29,571,698
Fund balances - beginning	149,939,671	149,939,671	149,939,671	-
Fund balances - ending	\$ 150,065,021	118,783,606	148,355,304	29,571,698

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

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedules of Funding Progress - Virginia Retirement System (unaudited)
Year Ended June 30, 2007

City Employees	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	June 30, 2006	\$ 404,564,232	484,901,709	80,337,477	83.43%	\$ 124,731,599	64.41%
	June 30, 2005	374,280,622	465,683,510	91,402,888	80.37%	119,706,016	76.36%
	June 30, 2004	357,806,464	419,050,008	61,243,544	85.39%	116,960,732	52.36%

Schools' Non-Professional Employees

Schools' Non-Professional Employees	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	June 30, 2006	\$ 45,136,547	59,266,035	14,129,488	76.16%	\$ 18,602,631	75.95%
	June 30, 2005	42,007,930	56,541,645	14,533,715	74.30%	17,437,108	83.35%
	June 30, 2004	40,517,147	48,237,485	7,720,338	84.00%	16,322,205	47.30%

Unaudited - see accompanying auditors' report.

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2007

(1) Budgets and Budgetary Accounting

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

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

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

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

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Note to Required Supplementary Information
June 30, 2006

(1) Continued

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

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

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

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

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

Unaudited – see accompanying auditors' report.

This page intentionally left blank



Supplementary Information - Combining and Individual Fund Schedules



This page intentionally left blank



General Fund

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 219,355,000	222,096,816	2,741,816
Current taxes on public service corporations	9,500,000	9,590,941	90,941
Current taxes on personal property	31,433,810	31,865,632	431,822
Delinquent taxes on real property	3,000,000	3,864,000	864,000
Delinquent taxes on personal property	15,362,000	12,192,412	(3,169,588)
Penalties, interest, and advertising	2,660,000	3,037,646	377,646
Total general property taxes	281,310,810	282,647,447	1,336,637
Other local taxes			
Local sales and use taxes	35,600,000	35,952,042	352,042
Consumer utility taxes	10,045,400	9,763,647	(281,753)
Consumer telephone taxes	5,951,974	9,898,620	3,946,646
Business license taxes	24,792,343	24,170,737	(621,606)
Local utility consumption tax	801,500	829,317	27,817
Franchise license taxes	2,035,100	1,096,474	(938,626)
Bank stock taxes	912,000	1,031,468	119,468
Taxes on recordation and wills	4,500,000	4,556,947	56,947
Tobacco taxes	4,310,800	4,790,633	479,833
Hotel and motel room taxes	3,649,700	3,847,157	197,457
Restaurant food taxes	17,943,000	17,054,861	(888,139)
Admission taxes	488,200	583,914	95,714
Short-term rental taxes	338,700	301,292	(37,408)
Pari-mutuel waging pool tax	140,000	175,454	35,454
Total other local taxes	111,508,717	114,052,563	2,543,846
Revenues from local sources			
Licenses, permits, and fees:			
Bicycle licenses	40	43	3
Building structure and equipment permits	1,255,000	1,269,368	14,368
Precious metals and gems permits	1,800	1,600	(200)
Highway and driveway permits	35,490	16,610	(18,880)
Transfer fees	9,000	7,919	(1,081)
Zoning inspection fees	21,620	69,459	47,839
Building inspection fees	100,000	145,477	45,477
Electrical inspection fees	350,000	325,550	(24,450)
Elevator inspection fees	7,000	6,190	(810)
Plumbing inspection fees	250,000	189,960	(60,040)
Mechanical permits	300,000	329,088	29,088
Subdivision review fees	228,985	328,366	99,381
Solicitors permits	100	1,500	1,400
Taxi operators licenses	400	630	230
Motor vehicle license	4,562,000	5,357,415	795,415
Inspection fees - gas appliances	80,000	56,419	(23,581)
Animal license and fees	133,783	146,874	13,091
Rodent free certification fee	4,000	4,550	550
Rental inspection fees	30,000	10,550	(19,450)
Total licenses, permits, and fees	7,369,218	8,267,568	898,350
Fines and forfeitures	3,564,461	3,284,658	(279,803)
Investment income	1,500,000	4,696,613	3,196,613

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 149,516	146,382	(3,134)
Rental of recreation facilities	93,700	151,445	57,745
Library rental revenue	12,100	14,405	2,305
Rental of showmobile	5,000	8,190	3,190
Total revenues from use of property	260,316	320,422	60,106
Charges for services:			
Special court costs	89,000	94,340	5,340
Law library fees	98,000	95,771	(2,229)
Accident report fees	36,750	55,765	19,015
Municipal court fees	35,000	42,023	7,023
Civil penalties	8,600	6,828	(1,772)
Non-support fees	28,000	38,438	10,438
Commonwealth's Attorney fees	10,000	9,817	(183)
Police escort fees	5,000	5,610	610
Sale of service - police	75,000	227,239	152,239
Fire report fees	100	30	(70)
Sheriff fees	22,861	22,861	-
Inmate medical fees	68,640	19,609	(49,031)
Sale of service - jail	1,000,000	1,338,001	338,001
Sale of service - jail inmates	227,779	207,006	(20,773)
Inmate phone system - jail	256,200	384,700	128,500
Sale of service - sheriff	383,000	594,084	211,084
Sale of service - public works	-	319,734	319,734
Engineering and administrative fees	362,870	91,150	(271,720)
Recreation franchise fees	81,562	74,480	(7,082)
Vending machine commissions	7,000	2,882	(4,118)
Gallery fees and dues	6,200	4,313	(1,887)
Library fines and fees	342,500	385,299	42,799
Lot processing fees	178,000	144,070	(33,930)
Apartment processing fees	178,800	182,096	3,296
Sale of service - planning	-	1,003	1,003
Sale of service - public information	-	2,456	2,456
Sale of publications	8,000	10,846	2,846
Returned check fees	20,000	24,504	4,504
Custodian service	100,000	121,859	21,859
Wage assignment fees	9,600	7,419	(2,181)
Sale of service - assessor	-	7,853	7,853
Emergency medical service fees	3,000,000	2,990,683	(9,317)
Administration collected fees	399,040	806,757	407,717
Wetland Board Civil fees	227,600	95,400	(132,200)
Passport application fee	19,150	26,410	7,260
Sale of service - Commissioner of Revenue	2,500	2,889	389
Subdivision inspection fees	425,281	618,232	192,951
Sale of service - sponsorship	-	600	600
Total charges for services	7,712,033	9,063,057	1,351,024

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Payments in lieu of taxes from other agencies	\$ 500	2,139	1,639
School proffers	-	148,576	148,576
Sale of ARC - public works	74,500	63,970	(10,530)
Public Works claims reimbursement	15,800	32,797	16,997
Primary fees	-	360	360
Sale of junk and salvage	-	14,848	14,848
Escheated funds	-	30,232	30,232
Other revenue	487,520	27,416	(460,104)
Total miscellaneous local revenues	578,320	320,338	(257,982)
Recovered costs:			
Insurance claims and collections	-	92,413	92,413
Other recoveries and rebates	20,000	164,146	144,146
Recoveries - indirect costs	-	332,403	332,403
Recoveries - health department	-	595	595
Recoveries - jury	200	1,063	863
Total recovered costs	20,200	590,620	570,420
Total revenues from local sources	413,824,075	423,243,286	9,419,211
Revenues from the Commonwealth			
Noncategorical aid:			
ABC profits	116,800	116,769	(31)
Wine taxes	122,400	122,397	(3)
Motor vehicle carrier taxes	130,000	126,470	(3,530)
Mobile home titling taxes	40,000	49,943	9,943
Police	7,455,767	7,455,768	1
Daily rental taxes - auto	798,200	744,238	(53,962)
Deed taxes	1,000,000	897,197	(102,803)
Personal Property Tax Relief	23,994,000	28,609,802	4,615,802
Delinquent Personal Property Tax Relief	643,800	395,857	(247,943)
Total noncategorical aid	34,300,967	38,518,441	4,217,474
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,603,387	1,512,277	(91,110)
Sheriff	8,833,909	8,690,809	(143,100)
Commissioner of the Revenue	375,000	400,308	25,308
Treasurer	433,800	440,523	6,723
Medical Examiner	2,360	870	(1,490)
Registrar/Electoral Board	79,000	95,888	16,888
Circuit court clerk	1,095,722	1,300,588	204,866
Agriculture	58,478	131,772	73,294
Jail project reimbursement - state	461,666	615,555	153,889
Total shared expenses	12,943,322	13,188,590	245,268

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-1, Continued

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 2,856,520	2,844,944	(11,576)
Street and highway maintenance	24,759,111	24,759,111	-
Library	230,900	231,503	603
Health	38,310	36,694	(1,616)
Excess fees	1,000,000	1,204,177	204,177
Other state grants	-	4,642	4,642
Transportation improvement set-aside	1,000,000	1,115,808	115,808
Total other categorical aid	29,884,841	30,196,879	312,038
Total categorical aid	42,828,163	43,385,469	557,306
Total revenues from the Commonwealth	77,129,130	81,903,910	4,774,780
Revenues from the Federal Government			
Noncategorical aid - Refugee Revenue Sharing Act	50,000	53,639	3,639
Categorical aid:			
Drug Enforcement Agency	10,931	29,700	18,769
Emergency reimbursement - federal	25,000	-	(25,000)
Total revenues from the Federal Government	85,931	83,339	(2,592)
Total revenues	491,039,136	505,230,535	14,191,399
OTHER FINANCING SOURCES			
Payments from component units			
Chesapeake Public Schools	-	1,566,610	1,566,610
Chesapeake Public Schools - cash reversion	-	31,201	31,201
Mosquito Control Commission	300,000	300,000	-
Transfers from other funds	1,536,475	1,959,933	423,458
Total other financing sources	1,836,475	3,857,744	2,021,269
Total revenues and other financing sources	\$ 492,875,611	509,088,279	16,212,668

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2007

	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital					
			Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 998,927	899,223	-	-	899,223	99,704	40,577	59,127
Executive Department:								
City manager	1,563,959	1,347,491	-	-	1,347,491	216,468	14,683	201,785
Intergovernmental affairs	451,758	403,311	-	-	403,311	48,447	20,000	28,447
Public communications	1,367,604	1,273,085	84,491	-	1,357,576	10,028	3,079	6,949
Contingencies	2,176,189	-	-	-	-	2,176,189	-	2,176,189
Environmental emergencies	219,356	-	-	-	-	219,356	-	219,356
Department of Law - City Attorney	1,626,951	1,509,733	-	-	1,509,733	117,218	36,932	80,286
Department of Finance:								
Commissioner of revenue	3,042,836	2,854,079	-	-	2,854,079	188,757	42,581	146,176
Real estate assessor	2,476,832	2,254,962	-	-	2,254,962	221,870	4,344	217,526
Board of equalization	4,149	2,680	-	-	2,680	1,469	-	1,469
City treasurer	3,683,648	3,147,408	11,498	-	3,158,906	524,742	372	524,370
Sale of city auto licenses	81,139	80,187	-	-	80,187	952	-	952
Director of finance	2,541,252	2,351,696	-	-	2,351,696	189,556	124,125	65,431
Economic development	1,590,440	1,556,693	-	-	1,556,693	33,747	20,208	13,539
Portlock galleries	145,057	142,282	-	-	142,282	2,775	-	2,775
Budget director	1,051,264	937,136	-	-	937,136	114,128	40,000	74,128
City auditor	451,764	379,628	-	-	379,628	72,136	380	71,756
Independent auditors	130,200	130,200	-	-	130,200	-	-	-
Department of Human Resources:								
Human resources	2,273,413	1,793,716	-	-	1,793,716	479,697	95,660	384,037
HIPAA	345,789	176,872	83,087	-	259,959	85,830	9,957	75,873
Judicial Department:								
Circuit court	606,280	549,762	-	-	549,762	56,518	-	56,518
Magistrates office	18,518	14,638	-	-	14,638	3,880	1,042	2,838
General district court	2,334,356	2,324,664	-	-	2,324,664	9,692	-	9,692
Juvenile and domestic relations court	131,823	132,619	-	-	132,619	(796)	92	(888)
Court services unit	383,947	316,112	-	-	316,112	67,835	-	67,835
Commonwealth's attorney	3,257,476	3,039,086	-	-	3,039,086	218,390	1,580	216,810
Circuit court clerk	2,175,800	2,136,465	-	-	2,136,465	39,335	-	39,335
Sheriff	31,271,926	31,253,547	56,240	-	31,309,787	(37,861)	24,991	(62,852)
Law library	137,508	113,494	-	-	113,494	24,014	-	24,014
Chesapeake volunteer services	324,773	266,267	-	-	266,267	58,506	380	58,126
Virginia juvenile community crime commission	77,632	51,448	-	-	51,448	26,184	-	26,184
Department of General Services:								
Purchasing	772,823	741,792	-	-	741,792	31,031	636	30,395
Buildings maintenance	5,812,242	5,599,616	-	-	5,599,616	212,626	195,928	16,698
Facilities Management - building	1,850,417	1,768,460	-	-	1,768,460	81,957	28,433	53,524
Department of Public Health:								
Adult clinics	860,684	837,938	-	-	837,938	22,746	-	22,746
General clinics	1,529,228	1,493,716	-	-	1,493,716	35,512	881	34,631
OSHA services	357,941	325,095	-	-	325,095	32,846	-	32,846

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2007

	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital					
			Outlay					
General government, continued:								
Department of Public Library:								
Public library	\$ 7,803,755	7,516,253	34,485	-	7,550,738	253,017	179,806	73,211
Records management	40,717	43,212	-	-	43,212	(2,495)	-	(2,495)
Public library state aid	231,367	215,168	13,199	-	228,367	3,000	3,000	-
Boards and Commissions:								
Planning department	2,155,753	1,893,491	-	-	1,893,491	262,262	10,354	251,908
Planning commission	53,425	39,706	-	-	39,706	13,719	-	13,719
Electoral board	871,236	751,882	-	-	751,882	119,354	18	119,336
Electoral workers	101,644	50,143	-	-	50,143	51,501	-	51,501
Department of Agriculture	431,559	384,440	-	-	384,440	47,119	-	47,119
Nondepartmental:								
Support of civic and community organizations	11,075,271	9,183,426	8,750	-	9,192,176	1,883,095	362,060	1,521,035
Chesapeake regional airport	464,901	465,193	-	-	465,193	(292)	-	(292)
Debt service	2,244,435	2,244,434	-	-	2,244,434	1	-	1
Total general government	103,599,964	94,992,449	291,750	-	95,284,199	8,315,765	1,262,099	7,053,666
Public Safety:								
Police department	35,736,700	34,367,552	59,790	-	34,427,342	1,309,358	277,997	1,031,361
Animal control	997,940	988,200	-	-	988,200	9,740	753	8,987
Public safety training	589,080	577,458	-	-	577,458	11,622	3,826	7,796
Fire department	33,717,116	34,316,542	-	-	34,316,542	(599,426)	74,940	(674,366)
Fire prevention bureau	1,255,885	1,168,202	-	-	1,168,202	87,683	-	87,683
Fire training	219,874	181,837	-	-	181,837	38,037	-	38,037
Fire - environmental compliance	221,742	76,420	-	-	76,420	145,322	3,900	141,422
Emergency medical services	1,093,862	1,032,897	-	-	1,032,897	60,965	-	60,965
Neighborhood Services	3,366,242	3,074,468	-	-	3,074,468	291,774	45,042	246,732
Citizen Call Center	876,880	741,572	-	-	741,572	135,308	829	134,479
Neighborhood Coordination	338,059	254,042	-	-	254,042	84,017	1,573	82,444
Emergency management operations	229,372	224,790	-	-	224,790	4,582	-	4,582
Total public safety	78,642,752	77,003,980	59,790	-	77,063,770	1,578,982	408,860	1,170,122
Public works:								
Engineering and administration	11,973,210	11,741,593	-	-	11,741,593	231,617	36,189	195,428
Traffic engineering	1,674,207	1,646,942	-	-	1,646,942	27,265	12,538	14,727
Street maintenance	11,777,878	11,105,330	-	-	11,105,330	672,548	392,128	280,420
Bridges and structures	2,051,504	1,903,025	43,798	-	1,946,823	104,681	9,694	94,987
Bureau of drainage	1,930,714	1,756,232	-	-	1,756,232	174,482	-	174,482
Street cleaning	531,203	493,046	-	-	493,046	38,157	-	38,157
Solid waste collection	10,967,686	10,426,366	5,317	-	10,431,683	536,003	62,642	473,361
SPSA	9,357,256	8,505,583	-	-	8,505,583	851,673	493,126	358,547
Total public works	50,263,658	47,578,117	49,115	-	47,627,232	2,636,426	1,006,317	1,630,109

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2, Continued

General Fund
 Schedule of Expenditures, Encumbrances, and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2007

	Expenditures						Unencumbered Balance
	Appropriations	Operating	Capital		Total	Unexpended Balance	
			Outlay	Encumbrances			
Parks:							
Parks and grounds maintenance	\$ 2,399,349	2,262,605	-	-	2,262,605	136,744	30,829
Administration	729,136	711,240	-	-	711,240	17,896	17,896
Parks, grounds, and building maintenance - warehouse	74,820	62,345	-	-	62,345	12,475	12,475
Parks, grounds, and building maintenance - workorder	70,191	65,259	-	-	65,259	4,932	4,932
Recreation programs	2,695,504	2,588,506	-	-	2,588,506	106,998	102,076
Northwest river park	588,306	550,967	-	-	550,967	37,339	32,141
Senior citizens program	291,503	267,600	-	-	267,600	23,903	19,373
Special programs	187,793	182,522	-	-	182,522	5,271	5,271
Total parks	7,036,602	6,691,044	-	-	6,691,044	345,558	224,993
Total expenditures and encumbrances	239,542,976	226,265,590	400,655	-	226,666,245	12,876,731	2,797,841
OTHER FINANCING SOURCES/USES							
Transfers to component unit:							
Public Schools	186,686,608	186,686,608	-	-	186,686,608	-	-
Transfers to other funds:							
Debt Service Fund	47,375,429	46,667,496	-	-	46,667,496	707,933	707,933
Capital Projects Fund	25,944,973	26,050,227	-	-	26,050,227	(105,254)	(105,254)
Virginia Public Assistance Fund	7,443,171	7,443,171	-	-	7,443,171	-	-
Community Services Fund	5,897,414	5,897,414	-	-	5,897,414	-	-
Interagency Consortium Fund	1,979,036	1,979,036	-	-	1,979,036	-	-
Community Corrections Fund	65,519	65,519	-	-	65,519	-	-
Fee Supported Activities Fund	50,000	50,000	-	-	50,000	-	-
Grants Fund	945,171	1,065,551	-	-	1,065,551	(120,380)	(120,380)
E-911 Operations Fund	3,905,984	3,905,984	-	-	3,905,984	-	-
Juvenile Detention Home Fund	2,330,534	2,330,534	-	-	2,330,534	-	-
Information Technology Fund	94,016	94,016	-	-	94,016	-	-
Open Space and Agriculture Preservation	1,151,152	1,151,152	-	-	1,151,152	-	-
City Garage Fund	608,666	608,666	-	-	608,666	-	-
Self Insurance Fund	11,027	11,027	-	-	11,027	-	-
Total transfers to other funds	97,802,092	97,319,793	-	-	97,319,793	482,299	482,299
Total other financing sources (uses)	284,488,700	284,006,401	-	-	284,006,401	482,299	482,299
Total expenditures, encumbrances, and other financing uses	\$ 524,031,676	510,271,991	400,655	-	510,672,646	13,359,030	2,797,841
							10,561,189

Debt Service Fund

Debt Service Fund – To account for the accumulation of resources for the payment of principal, interest, and related costs on long-term financial obligations of governmental funds.



This page intentionally left blank



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, 2007

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ 500,000	1,416,295	916,295
Revenues from use of property	115,765	115,765	-
Miscellaneous local revenues	1,100,000	1,174,169	74,169
Recovered costs	-	3	3
Intergovernmental revenues: Commonwealth of Virginia	163,451	217,934	54,483
Total revenues	1,879,216	2,924,166	1,044,950
EXPENDITURES			
Interest on general obligation bonds	18,717,880	18,205,327	512,553
Interest on literary loans	155,321	155,321	-
Capital lease payments	1,500,155	1,500,153	2
Other debt expenditures	60,000	44,847	15,153
Redemption of general obligation bonds	29,855,382	28,509,764	1,345,618
Redemption of literary loans	549,493	549,493	-
Total expenditures	50,838,231	48,964,905	1,873,326
Deficiency of revenues under expenditures	(48,959,015)	(46,040,739)	2,918,276
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	47,375,429	46,667,496	(707,933)
Conference Center Fund	615,639	615,639	-
E-911 Operations Fund	1,500,155	1,500,155	-
Capital Projects Fund	-	5,046,635	5,046,635
Open Space and Agriculture Preservation Fund	6,085	6,085	-
Total transfers from other funds	49,497,308	53,836,010	4,338,702
Transfers to other funds:			
Transfer to General Fund	(532,208)	(532,208)	-
Transfer to Capital Projects Fund	(1,688,000)	(1,688,000)	-
Total transfers to other funds	(2,220,208)	(2,220,208)	-
Payments from component unit - Public Schools Capital Projects Fund	734,982	1,483,469	748,487
Premium on VPSA bonds	-	927,672	927,672
VPSA bonds proceeds	-	14,936,256	14,936,256
Payment to component unit - Public Schools Capital Projects Fund	-	(15,863,928)	(15,863,928)
Total other financing sources (uses)	48,012,082	53,099,271	5,087,189
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(946,933)	7,058,532	8,005,465
Fund balance - beginning	29,837,317	29,837,317	-
Fund balance - ending	\$ 28,890,384	\$ 36,895,849	\$ 8,005,465

This page intentionally left blank



Capital Projects Fund

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule O

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

Project	Appropriations	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year					
General construction projects:								
General government:								
1021100100	\$ 150,000	-	-	-	150,000	-	-	150,000
1030800100	200,000	145,173	27,794	172,967	27,033	7,023	-	20,010
1051000100	3,100,000	-	-	-	3,100,000	-	-	3,100,000
1060700100	911,077	751,162	1,534	752,696	158,381	9,270	-	149,111
1060800100	240,000	227,704	2,048	229,752	10,248	1,593	-	8,655
1070400100	4,594,429	4,575,228	19,201	4,594,429	-	-	-	-
1070410100	44,883	-	-	-	44,883	-	-	44,883
1070500100	170,354	7,568	63	7,631	162,723	-	-	162,723
1070900100	1,271,093	1,059,399	200,000	1,259,399	11,694	-	-	11,694
1080900100	1,000,000	-	-	-	1,000,000	-	-	1,000,000
1081100100	500,000	-	-	-	500,000	-	-	500,000
1090800100	2,000,000	1,339,702	652,302	1,992,004	7,996	-	-	7,996
1090900100	2,000,000	87,282	518,944	606,226	1,393,774	181,127	-	1,212,647
1091100100	236,411	-	-	-	236,411	-	-	236,411
1101100100	990,160	-	-	-	990,160	-	-	990,160
1110900100	1,500,000	-	143,825	143,825	1,356,175	-	-	1,356,175
1111100100	250,000	-	-	-	250,000	-	-	250,000
1119400100	21,165	3,905	-	3,905	17,260	395	-	16,865
1120400100	495,460	426,123	-	426,123	69,337	-	-	69,337
1120800100	209,665	163,236	-	163,236	46,429	-	-	46,429
1120900100	1,850,000	1,685,523	3,295	1,688,818	161,182	-	-	161,182
1121100100	150,000	-	144,014	144,014	5,986	652	-	5,334
1128800100	111,482	36,217	75,265	111,482	-	-	-	-
1128810100	153,718	-	49,000	49,000	104,718	16,789	-	87,929
1130400100	246,763	246,763	-	246,763	-	-	-	-
1130410100	3,237	-	-	-	3,237	-	-	3,237
1140600100	6,001,094	1,493,369	386,668	1,880,037	4,121,057	654,761	-	3,466,296
1140700100	264,098	145,997	63,632	209,629	54,469	-	-	54,469
1140900100	75,000	5,458	1,600	7,058	67,942	-	-	67,942
1149600100	165,000	86,352	-	86,352	78,648	13,090	-	65,558
1150900100	3,653,600	104,543	117,721	222,264	3,431,336	-	-	3,431,336
1151100100	100,000	-	-	-	100,000	-	-	100,000
1159800100	461,277	461,277	-	461,277	-	-	-	-
1159810100	2,859	-	-	-	2,859	-	-	2,859
1161100200	862,800	-	-	-	862,800	-	-	862,800
1170600100	1,392,702	492,004	900,698	1,392,702	-	-	-	-
1181000100	750,000	-	-	-	750,000	-	-	750,000
1190600100	498,536	491,899	6,637	498,536	-	-	-	-
1191000100	250,000	-	-	-	250,000	-	-	250,000
1221000100	395,000	-	4,337	4,337	390,663	198,843	-	191,820
1230900100	4,520,520	-	250	250	4,520,270	-	-	4,520,270

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Balance			
General construction projects, continued:								
General government, continued:								
1241000100	\$ 265,000	-	25,825	25,825	239,175	7,964	231,211	
1241000200	1,570,000	-	-	-	1,570,000	-	1,570,000	
1250900100	205,001	205,001	-	205,001	-	-	-	
1251000100	175,000	29,301	95,510	124,811	50,189	-	50,189	
1260600100	237,000	212,433	4,778	217,211	19,789	-	19,789	
1271000100	1,597,211	69,588	1,527,623	1,597,211	-	-	-	
1280500100	1,363,037	1,259,236	-	1,259,236	103,801	-	103,801	
1280600100	194,856	187,812	7,044	194,856	-	-	-	
1280610100	98,734	-	30,507	30,507	68,227	-	68,227	
1281100100	1,200,000	-	-	-	1,200,000	-	1,200,000	
1300600100	825,400	825,400	-	825,400	-	-	-	
1300900100	812,344	227,885	289,068	516,953	295,391	110,000	185,391	
1311100100	1,077,078	-	427,782	427,782	649,296	-	649,296	
1351100100	325,000	-	-	-	325,000	-	325,000	
1371100100	300,000	-	188,598	188,598	111,402	-	111,402	
1390600100	113,000	7,813	10,220	18,033	94,967	-	94,967	
1410600100	143,118	125,934	17,184	143,118	-	-	-	
Total general government	52,294,162	17,186,287	5,942,967	23,129,254	29,164,908	1,201,507	27,963,401	
Department of Public Safety:								
1040900200	150,000	352	572	924	149,076	-	149,076	
1061100200	900,000	-	-	-	900,000	-	900,000	
1120500200	39,049	39,049	-	39,049	-	-	-	
1131100200	1,000,000	-	-	-	1,000,000	-	1,000,000	
1150610200	107,045	2,712	7,517	10,229	96,816	34,110	62,706	
1169800200	1,299	1,299	-	1,299	-	-	-	
1180600200	306,990	306,990	-	306,990	-	-	-	
1189600200	41,915	11,000	-	11,000	30,915	-	30,915	
1220900200	100,000	44,483	20,805	65,288	34,712	24,712	10,000	
1230900200	840,999	12,742	9,370	22,112	818,887	4,520	814,367	
1380800200	163,594	158,050	2,406	160,456	3,138	350	2,788	
1401100200	410,000	-	-	-	410,000	-	410,000	
Total Department of Public Safety	4,060,891	576,677	40,670	617,347	3,443,544	63,692	3,379,852	
Department of Public Works:								
1002400300	252,459	146,685	-	146,685	105,774	-	105,774	
1020700300	383,927	298,228	85,699	383,927	-	-	-	
1020710300	841,117	-	702	702	840,415	30,030	810,385	
1020810300	200,000	-	-	-	200,000	-	200,000	
1040600300	176,000	-	-	-	176,000	-	176,000	
1040700300	312,000	312,000	-	312,000	-	-	-	
1050900300	4,202,273	-	-	-	4,202,273	-	4,202,273	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund

Schedule of Expenditures and Encumbrances - Budget and Actual
Year Ended June 30, 2007

Schedule O, Continued

Project	Expenditures					Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year						
General construction projects, continued:									
Department of Public Works, continued:									
1051100300	George Washington Highway Right of Way Acquisition	\$ 500,000	-	437	437	499,563	-	-	499,563
1060900300	Smart Traffic Center Phase 3	1,000,000	-	-	-	1,000,000	-	-	1,000,000
1080400300	Undesignated Public Works Projects	210,369	210,099	270	210,369	-	-	-	-
1080410300	Undesignated Public Works Projects II	6,927	-	-	-	6,927	1,000	1,000	5,927
1080500300	Route 17/ Mill Creek Parkway/ Old Mill Road	0	-	-	-	0	-	-	0
1090500300	Kempsville Road Pump Station Relocation	2,419	-	-	-	2,419	-	-	2,419
1110500300	Various Traffic Signals	1,243,164	1,196,530	-	1,196,530	46,634	-	-	46,634
1110600300	Salt Storage Building	5,000	-	-	-	5,000	-	-	5,000
1110700300	Wellons-Forehand Overpass	231,731	231,731	-	231,731	-	-	-	-
1130900300	Northwest River Park Watershed Study	100,000	100,000	-	100,000	-	-	-	-
1141100300	Long Bridge Replacement	1,989,284	-	-	-	1,989,284	-	-	1,989,284
1150500300	Master Road Plan Study	205,000	155,941	1,120	157,061	47,939	-	-	47,939
1160300300	Prior CIB - Cedar Road	425,947	425,947	-	425,947	-	-	-	-
1160310300	Prior CIB - Cedar Road II	93,559	-	-	-	93,559	-	-	93,559
1160900300	Crestwood And Drainage Improvement	4,250,000	1,493,356	2,002,782	3,496,138	753,862	86,233	86,233	667,629
1170900300	Military Highway Study and Street Lights	580,000	188,695	-	188,695	391,305	-	-	391,305
1171100300	Taylor Road / Ruce Road Right Turn Lanes	337,000	-	-	-	337,000	-	-	337,000
1200400300	Greenbrier Parkway Intersection	148,153	81,370	66,783	148,153	-	-	-	-
1200410300	Greenbrier Parkway Intersection II	716,125	-	-	-	716,125	7,003	7,003	709,122
1200500300	Gum Road Multi-Use Path	625,000	77,182	63,803	140,985	484,015	18,644	18,644	465,371
1210500300	Poindexter St Improvements	1,444,750	375,809	6,412	382,221	1,062,529	31,981	31,981	1,030,548
1210600300	Fuel Tank Leak Prevention and Detection	200,000	179,759	1,700	181,459	18,541	-	-	18,541
1210800300	Traffic Sign and Intersection Improvements	1,101,448	281,590	12,299	293,889	807,560	96,395	96,395	711,165
1211000300	Great Dismal Swamp Trail Phase I	1,755,200	657	-	657	1,754,543	-	-	1,754,543
1211100300	Volvo Parkway / Battlefield Boulevard	280,000	-	258,345	258,345	21,655	1,510	1,510	20,145
1220600300	Volvo Parkway	182,346	15,952	20,268	36,220	146,126	-	-	146,126
1221100300	Battlefield / Kempsville / Great Bridge	198,500	-	184	184	198,316	129,122	129,122	69,194
1230600300	Route 104 Steel Bridge	8,201,000	1,668,490	871,812	2,540,302	5,660,698	-	-	5,660,698
1231100300	Walmart Way / Battlefield Boulevard	275,000	-	2,934	2,934	272,066	-	-	272,066
1240800300	Battlefield Emergency Preemption	51,986	37,876	-	37,876	14,110	-	-	14,110
1241100300	Battlefield Boulevard / Cedar Road	625,000	-	2,384	2,384	622,616	-	-	622,616
1251100300	Greenbrier Culvert Repair	522,543	-	522,543	522,543	-	-	-	-
1251110300	Greenbrier Culvert Repair II	23,457	-	-	-	23,457	-	-	23,457
1260800300	Milldam Creek Stream	42,500	38,499	-	38,499	4,001	-	-	4,001
1261100300	Bainbridge Boulevard Culvert Repair	439,218	-	439,218	439,218	-	-	-	-
1261110300	Bainbridge Boulevard Culvert Repair II	60,782	-	-	-	60,782	-	-	60,782
1270700300	Master Drainage Improvement	218,951	141,450	77,501	218,951	-	-	-	-
1270710300	Master Drainage Improvement II	1,751,049	-	25,841	25,841	1,725,208	138,423	138,423	1,586,785
1281000300	George Washington Highway	8,000	2,173	-	2,173	5,827	-	-	5,827
1290900300	Deep Creek Watershed	273,000	232,000	-	232,000	41,000	-	-	41,000

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Capital Projects Fund

Schedule of Expenditures and Encumbrances - Budget and Actual

Year Ended June 30, 2007

Schedule O, Continued

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1291100300	\$ 228,000	-	-	-	228,000	-	228,000
1301000400	20,852	-	9,454	9,454	11,398	-	11,398
1301100300	500,000	-	2,796	2,796	497,204	10,475	486,729
1310400300	53,307	-	2,175	2,175	51,132	-	51,132
1319900300	668,316	668,316	-	668,316	-	-	-
1320400300	101,662	75,695	-	75,695	25,967	-	25,967
1320600300	13,246,099	12,989,422	256,677	13,246,099	-	-	-
1320610300	453,411	-	98,000	98,000	355,411	281,500	73,911
1321000300	4,625,490	138,829	1,591,336	1,730,165	2,895,325	1,622,869	1,272,456
1330600300	355,100	160,429	-	160,429	194,671	-	194,671
1330900300	15,793	-	-	15,793	-	-	15,793
1331100300	1,047,000	-	-	1,047,000	-	-	1,047,000
1338100300	446,300	119,823	114,323	234,146	212,154	-	212,154
1341100300	2,925,000	-	-	2,925,000	-	-	2,925,000
1350900300	300,000	508	135,750	136,258	163,742	13,250	150,492
1351000300	7,012,000	157,986	154,734	312,720	6,699,281	587,006	6,112,275
1361000300	1,700,000	75	30,145	30,220	1,669,780	89,712	1,580,068
1361100300	300,000	-	-	300,000	-	-	300,000
1370800300	25,000	25,000	-	25,000	-	-	-
1380600300	1,487,476	82,756	301,091	383,847	1,103,629	-	1,103,629
1381100300	379,380	-	-	379,380	-	-	379,380
1391100300	506,899	-	40,000	40,000	466,899	-	466,899
1400600300	3,016,000	2,996,162	11,742	3,007,904	8,096	-	8,096
1450900300	360,000	8,721	308,442	317,163	42,837	-	42,837
1479900300	373,956	373,956	-	373,956	-	-	-
1479910300	238,330	-	-	238,330	-	-	238,330
1509900300	4,021,009	4,003,957	17,052	4,021,009	-	-	-
1509910300	44,983	-	634	799	44,983	-	44,983
1529900300	92,133	165	-	92,133	91,334	-	91,334
1599900300	765,796	682,094	26,879	708,973	56,823	-	56,823
Total Department of Public Works	82,001,475	30,375,913	7,564,267	37,940,179	44,061,296	3,145,153	40,916,143
Department of Libraries:							
1129811000	90,083	-	3,738	3,738	86,345	-	86,345
Total Department of Libraries	90,083	-	3,738	3,738	86,345	-	86,345
Department of Parks and Recreation:							
1000000400	23,830	-	-	-	23,830	-	23,830
1041100400	350,000	-	164,877	164,877	185,123	20,336	164,787
1050700400	4,785,189	4,027,082	758,107	4,785,189	-	-	-
1050710400	655,601	-	-	655,601	-	-	655,601
1130800400	92,000	13,877	-	13,877	78,123	21,911	633,690
1150800400	108,357	92,362	11,979	104,340	38,661	2,008	39,462
(Continued)							

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

Project	Expenditures					Unencumbered Balance	
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance		Encumbrances
General construction projects, continued:							
Department of Parks and Recreation, continued:							
1160800400	Sawyer's Mill Park	12,414	-	12,414	7,586	-	7,586
1170500400	Parks Land Acquisition	1,346,661	-	1,346,661	83,878	-	83,878
1180800400	Miars's Plantation	83,969	3,647	34,746	49,223	23,199	26,024
1190800400	Stonegate Park	22,000	-	14,442	7,558	-	7,558
1230800400	Centerville Turnpike Park Phase I	3,412,828	1,907,472	2,961,886	450,942	130,060	320,882
1260700400	Battlefield Visitor Center	850,000	216,061	339,417	510,583	54,559	456,024
1270800400	River's Edge Play Area	97,248	-	-	97,248	38,661	58,587
1270900400	Deep Creek Lock Park	167,815	136,258	164,857	2,958	-	2,958
1271100400	Park Shelters & Playgrounds	207,000	-	5,700	201,300	86,564	114,736
1280900400	South Battlefield Park	83,685	37,471	37,471	46,214	42,923	3,291
1300800400	Oak Grove Lake Park	158,317	22,317	134,247	24,070	1,793	22,277
1310800400	Western Branch Dog Park	19,813	19,813	19,813	-	-	-
1320800400	Southwestern Park	21,000	228	228	20,772	-	20,772
1340600400	New Park Development - Open Space	430,137	280,387	323,749	106,388	5,275	101,113
1360600400	Cedar Crossings Play Area	14,669	14,669	14,669	-	-	-
1360900400	Parkview Park	12,414	12,414	12,414	-	-	-
1370600400	Waterstone Park	37,077	27,547	27,547	9,530	-	9,530
1370900400	Rivercrest Park	16,429	-	16,429	-	-	-
1371000400	Oakbrooke Park	16,179	-	16,179	-	-	-
1380900400	Cascade Blvd Playground	11,656	-	11,656	-	-	-
1390900400	Bells Mill	22,000	493	13,223	8,777	-	8,777
1400900400	Cheshire Forest	31,781	-	16,781	15,000	-	15,000
1410900400	Camelot Park	34,165	6,218	23,598	10,567	-	-
1420900400	Comland Park	36,142	-	36,142	-	-	-
1440900400	Rock Climbing Facilities	39,814	39,814	39,814	-	-	-
Total Department of Parks and Recreation		13,291,654	8,271,336	10,692,367	2,599,287	476,517	2,122,770
Total General construction projects		151,738,266	56,410,213	72,382,885	79,355,381	4,886,869	74,468,512
School capital projects:							
9050326650	Grassfield High School	67,595,917	33,052,110	26,315,752	8,228,055	4,780,549	3,447,506
Total school capital projects		67,595,917	33,052,110	26,315,752	8,228,055	4,780,549	3,447,506
Community development projects							
3813000500	Campostella	4,578,658	4,376,107	59,915	142,636	-	142,636
Total community development projects		4,578,658	4,376,107	59,915	142,636	-	142,636
Lease revenue bonds							
6945010194	Trustee - Jail	n/a	1,188,344	3,413	(1,191,757)	-	(1,191,757)
6945020196	Trustee - Courthouse	n/a	1,373,810	275,789	(1,649,599)	-	(1,649,599)
Total lease revenue bonds		n/a	2,562,154	279,202	(2,841,356)	-	(2,841,356)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O, Continued

Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

Project	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Unexpended Balance			
Supplemental agreements (trustee) 6945030197 Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316)	
Total Supplemental agreements (trustee)	n/a	2,211,316	-	2,211,316	(2,211,316)	-	(2,211,316)	
Total expenditures and encumbrances	223,912,841	98,611,900	42,627,541	141,239,441	82,673,400	9,667,418	73,005,982	
Less completed projects	43,796,949			42,987,797				
Construction in progress	\$ 180,115,892			\$ 98,251,644				

* Completed Projects
 n/a - not applicable

This page intentionally left blank



Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

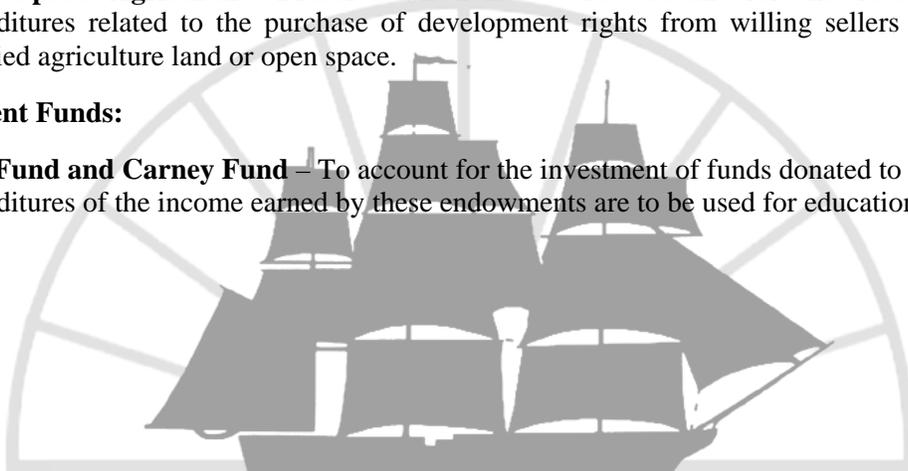
E-911 Operations Fund – To account for revenues and expenditures related to the emergency call center.

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

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

Permanent Funds:

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



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds									
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center	Community Development	Interagency Consortium	Community Corrections	Fee Supported Activities		
ASSETS										
Cash and temporary investments	\$ 2,969,648	5,643,585	451,151	1,545,792	-	2,274,496	117,921	756,139		
Intergovernmental revenues due from:										
Commonwealth of Virginia	561,194	-	-	-	263,230	704,865	-	-		
Federal government	925,059	-	-	-	-	-	-	-		
Receivables:										
Accounts receivable	-	-	-	3,024	-	2,311	-	-	25,839	
Interest receivable	-	-	-	-	-	-	-	-	-	
Other	-	43,171	-	124,242	20,000	-	-	-	-	
Restricted Asset:										
Investment	-	-	-	-	-	-	-	-	-	
Total assets	4,455,901	5,686,756	451,151	1,673,058	283,230	2,981,672	117,921	781,978		
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	169,721	467,473	-	95,817	143,412	275,330	5,320	-		
Deposits	-	-	-	118,513	-	-	-	-		
Accrued expenditures	442	15,866	-	10,720	-	-	-	292		
Deferred revenues	-	299,965	-	-	-	-	-	-		
Due to other funds	-	-	-	-	156,457	-	-	-		
Total liabilities	170,163	783,304	-	225,050	299,869	275,330	5,320	292		
Fund Balances										
Reserved:										
Expendable	138,511	148,363	-	45,549	3,119	42	-	-		
Unexpendable	-	-	-	-	-	-	-	-		
Unreserved:										
Designated	-	-	-	-	(10,757)	-	-	62,506		
Undesignated	4,147,227	4,755,089	451,151	1,402,459	(9,001)	2,706,300	112,601	719,180		
Total fund balances	4,285,738	4,903,452	451,151	1,448,008	(16,639)	2,706,342	112,601	781,686		
Total liabilities and fund balances	\$ 4,455,901	\$ 5,686,756	\$ 451,151	\$ 1,673,058	\$ 283,230	\$ 2,981,672	\$ 117,921	\$ 781,978		

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds					Permanent Funds			Total Nonmajor Governmental Funds
	Tax Increment Financing	Grants	E-911 Operations	Chesapeake Juvenile Services	Open Space Agriculture Preservation	Poor	Carney		
ASSETS									
Cash and temporary investments	\$ 4,613,193	4,434,513	1,444,617	640,751	733,302	153,156	12,010	25,790,274	
Intergovernmental revenues due from:									
Commonwealth of Virginia:	-	566,220	-	53,168	-	-	-	1,885,447	
Federal government	-	897,353	-	-	-	-	-	2,085,642	
Receivables:									
Accounts receivable	-	-	314,736	299,615	-	-	-	645,525	
Interest receivable	-	-	-	-	-	1,696	207	1,903	
Other	-	-	-	-	-	-	-	187,413	
Restricted Asset:									
Investment	-	-	-	-	401,982	-	-	401,982	
Total assets	4,613,193	5,898,086	1,759,353	993,534	1,135,284	154,852	12,217	30,998,186	
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	308	82,138	5,221	51,331	-	-	-	1,296,071	
Deposits	-	-	-	-	-	-	-	118,513	
Accrued expenditures	514	2,672	13,226	8,584	-	-	-	52,316	
Deferred revenues	-	-	-	-	-	-	-	299,965	
Due to other funds	-	-	-	-	-	-	-	156,457	
Total liabilities	822	84,810	18,447	59,915	-	-	-	1,923,322	
Fund Balances									
Reserved:									
Expendable	-	669,307	863,081	849	-	-	-	1,868,821	
Unexpendable	-	-	-	-	-	11,295	1,500	12,795	
Unreserved:									
Designated	-	-	-	-	-	-	-	51,749	
Undesignated	4,612,371	5,143,969	877,825	932,770	1,135,284	143,557	10,717	27,141,499	
Total fund balances	4,612,371	5,813,276	1,740,906	933,619	1,135,284	154,852	12,217	29,074,864	
Total liabilities and fund balances	\$ 4,613,193	5,898,086	1,759,353	993,534	1,135,284	154,852	12,217	30,998,186	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2007

	Special Revenue Funds							Fee Supported Activities
	Virginia Public Assistance	Community Services	CSB of Chesapeake, Inc.	Conference Center	Community Development	Interagency Consortium	Community Corrections	
REVENUES								
Taxes on real property	-	-	-	-	-	-	-	-
Consumer telephone tax E-911	-	-	-	-	-	-	-	-
Restaurant food tax	-	-	-	1,705,843	-	-	-	-
Lodging sales tax	-	-	-	549,595	-	-	-	-
Revenues from use of property	-	-	-	316,060	-	-	-	-
Intergovernmental revenues:								
Commonwealth of Virginia	4,504,599	6,197,831	-	-	-	1,582,627	460,714	-
Federal government	9,398,611	1,230,272	-	-	1,888,173	-	-	-
Recovered costs	16,415	463	-	4,537	-	-	-	28,583
Investment income	101,663	193,896	15,810	58,565	-	78,144	4,051	25,924
Charges for services	7,878	2,700,618	-	552,163	-	2,518	-	208,154
Sale of food and beverages	-	-	-	1,817,056	-	-	-	-
Miscellaneous local revenues	-	-	-	86	-	-	-	-
Program income	-	-	-	-	196,657	-	-	-
Total revenues	14,029,166	10,323,080	15,810	5,003,905	2,084,830	1,663,289	464,765	262,661
EXPENDITURES								
Current:								
General government	-	-	-	3,814,952	-	-	512,929	-
Public safety	-	-	-	-	-	-	-	54,951
Public works	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Public welfare	19,382,690	15,163,952	-	-	1,616,452	2,989,749	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service	-	-	323,440	-	395,808	-	-	-
Total expenditures	19,382,690	15,163,952	323,440	3,814,952	2,012,260	2,989,749	512,929	54,951
Excess (deficiency) of revenues over (under) expenditures	(5,353,524)	(4,840,872)	(307,630)	1,188,953	72,570	(1,326,460)	(48,164)	207,710
OTHER FINANCING SOURCES(USES)								
Transfers from other funds	7,461,614	5,897,414	323,415	-	-	1,979,036	65,519	50,000
Transfers to other funds	(107,106)	(652,459)	-	(699,204)	(64,087)	(78,145)	(4,051)	(25,930)
Total other financing sources (uses)	7,354,508	5,244,955	323,415	(699,204)	(64,087)	1,900,891	61,468	24,070
Net change in fund balance	2,000,984	404,083	15,785	489,749	8,483	574,431	13,304	231,780
Fund balance - beginning	2,284,754	4,499,369	435,566	958,259	(25,122)	2,131,911	99,297	549,906
Fund balance - ending	\$ 4,285,738	4,903,452	451,151	1,448,008	(16,639)	2,706,342	112,601	781,686

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-2, Continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2007

	Special Revenue Funds					Permanent Funds			Total Nonmajor Governmental Funds
	Tax Increment Financing	Grants	E-911 Operations	Chesapeake Juvenile Services	Open Space Agriculture Preservation	Poor	Carney		
REVENUES									
Taxes on real property	\$ 4,780,731	-	-	-	-	-	-	-	4,780,731
Consumer telephone tax E-911	-	-	1,503,880	-	-	-	-	-	1,503,880
Restaurant food tax	-	-	-	-	-	-	-	-	1,705,843
Lodging sales tax	-	-	-	-	-	-	-	-	549,595
Revenues from use of property	-	-	-	-	-	-	-	-	316,060
Intergovernmental revenues:									
Commonwealth of Virginia	-	2,130,242	2,286,436	2,209,875	-	-	-	-	19,372,324
Federal government	-	2,077,281	-	-	-	-	-	-	14,594,337
Recovered costs	-	1,106	-	1,590,331	-	-	-	-	1,641,435
Investment income	-	126,431	49,632	-	-	7,221	-	464	661,801
Charges for services	-	57,789	-	20,980	-	-	-	-	3,550,100
Sale of food and beverages	-	-	-	-	-	-	-	-	1,817,056
Miscellaneous local revenues	-	617,374	-	-	-	-	-	-	617,460
Program income	-	-	-	-	-	-	-	-	196,657
Total revenues	4,780,731	5,010,223	3,839,948	3,821,186	-	7,221	464	51,307,279	
EXPENDITURES									
Current:									
General government	371,533	1,260,524	-	6,185,075	101,555	-	-	-	12,246,568
Public safety	-	1,455,775	4,662,134	-	-	-	-	-	6,172,860
Public works	-	771,579	-	-	-	-	-	-	77,579
Parks	-	219,303	-	-	-	-	-	-	219,303
Public welfare	-	592,020	-	-	-	-	-	-	39,744,863
Capital outlay	-	1,321,832	277,070	-	-	-	-	-	1,598,902
Debt service	-	-	-	-	-	-	-	-	719,248
Total expenditures	371,533	4,927,033	4,939,204	6,185,075	101,555	-	-	60,779,323	
Excess (deficiency) of revenues over (under) expenditures	4,409,198	83,190	(1,099,256)	(2,363,889)	(101,555)	7,221	464	(9,472,044)	
OTHER FINANCING SOURCES(USES)									
Transfers from other funds	-	1,400,394	3,905,984	2,330,534	1,242,924	-	-	-	24,656,834
Transfers to other funds	(1,450,000)	(617,975)	(1,715,886)	(47,435)	(6,085)	-	-	-	(5,468,363)
Total other financing sources (uses)	(1,450,000)	782,419	2,190,098	2,283,099	1,236,839	-	-	19,188,471	
Net change in fund balance	2,959,198	865,609	1,090,842	(80,790)	1,135,284	7,221	464	9,716,427	
Fund balance - beginning	1,653,173	4,947,667	650,064	1,014,409	-	147,631	11,753	19,358,437	
Fund balance - ending	\$ 4,612,371	5,813,276	1,740,906	933,619	1,135,284	154,852	12,217	29,074,864	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Virginia Public Assistance Fund
 Schedule of Revenues and Other Financing Source - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 4,859,515	4,504,599	(354,916)
Federal government	8,805,180	9,398,611	593,431
Total intergovernmental revenue	13,664,695	13,903,210	238,515
Recovered costs	-	16,415	16,415
Charges for services	-	7,878	7,878
Investment income	-	101,663	101,663
Total revenues	13,664,695	14,029,166	364,471
OTHER FINANCING SOURCE			
Transfer from the General Fund	7,443,171	7,443,171	-
Transfer from other funds	-	18,443	18,443
Total other financing sources	7,443,171	7,461,614	18,443
Total revenues and other financing sources	\$ 21,107,866	\$ 21,490,780	\$ 382,914

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Virginia Public Assistance Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Bureau of Public Assistance	\$ 4,963,989	4,530,886	-	4,530,886	433,103	-	433,103
Administration	11,055,208	10,500,464	-	10,500,464	554,744	7,019	547,725
Employment Service Program/VIEW	4,118,606	3,364,973	-	3,364,973	753,633	131,407	622,226
Food Stamp Administration	998,984	895,128	-	895,128	103,856	85	103,771
Other special programs	94,445	91,239	-	91,239	3,206	-	3,206
Total expenditures and encumbrances	\$ 21,231,232	\$ 19,382,690	\$ -	\$ 19,382,690	\$ 1,848,542	\$ 138,511	\$ 1,710,031

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Community Services Fund
 Schedule of Revenues and Other Financing Source - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
From the Commonwealth of Virginia:			
Substance abuse grants	\$ 811,593	779,873	(31,720)
Mental health grants	4,857,183	4,839,799	(17,384)
Mental retardation grants	645,200	578,159	(67,041)
Total from the Commonwealth of Virginia	6,313,976	6,197,831	(116,145)
From the Federal government:			
Substance abuse and mental health and retardation grant	1,169,282	1,230,272	60,990
Charges for services:			
Mental health fees	2,002,818	1,508,876	(493,942)
Mental retardation fees	967,935	1,031,847	63,912
Substance abuse fees	210,000	159,895	(50,105)
Total charges for services	3,180,753	2,700,618	(480,135)
Recovered costs	-	463	463
Investment income	-	193,896	193,896
Total revenues	10,664,011	10,323,080	(340,931)
OTHER FINANCING SOURCE			
Transfer from the General Fund	5,897,414	5,897,414	-
Total revenues and other financing source	\$ 16,561,425	16,220,494	(340,931)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Community Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Expenditures					Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Operating	Capital Outlay	Total	Unexpended Balance			
EXPENDITURES - Public welfare	\$16,380,733	15,163,952	-	15,163,952	1,216,781	148,363	1,068,418	
Total expenditures and encumbrances	\$16,380,733	15,163,952	-	15,163,952	1,216,781	148,363	1,068,418	

CITY OF CHESAPEAKE, VIRGINIA*Schedule P-7*

Conference Center Fund
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 1,600,000	1,705,843	105,843
Lodging sales tax	521,180	549,595	28,415
Revenues from use of property	305,000	316,060	11,060
Recovered costs	3,000	4,537	1,537
Investment income	-	58,565	58,565
Charges for services	679,192	552,163	(127,029)
Sale of food and beverages	1,871,201	1,817,056	(54,145)
Miscellaneous revenue	2,000	86	(1,914)
Total revenues	\$ 4,981,573	5,003,905	22,332

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Conference Center Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Expenditures				Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Revised Budget	Operating	Capital Outlay					
General government	\$ 4,066,405	3,814,952	-	-	3,814,952	251,453	45,549	205,904
Total expenditures and encumbrances	\$ 4,066,405	3,814,952	-	-	3,814,952	251,453	45,549	205,904

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund,
 Fee Supported Activities Fund, Tax Increment Financing Fund, Grants Fund, E-911 Operations Fund,
 Chesapeake Juvenile Services Fund and Open Space Agriculture Preservation Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
Community Development Fund			
Revenues			
Intergovernmental revenues from the Federal government:			
Community Development Block grant	\$ 1,266,543	1,221,668	(44,875)
Home Rehabilitation program	637,229	666,505	29,276
Program income	1,039,139	196,657	(842,482)
Total revenues	2,942,911	2,084,830	(858,081)
Interagency Consortium Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 1,778,466	1,582,627	(195,839)
Charges for services	-	2,518	2,518
Investment Income	-	78,144	78,144
Total revenues	1,778,466	1,663,289	(115,177)
Other financing source - transfer from the General Fund	1,979,036	1,979,036	-
Total revenues and other financing source	\$ 3,757,502	3,642,325	(115,177)
Community Corrections Fund			
Revenues			
Intergovernmental revenues from the Commonwealth of Virginia:			
Community Corrections Act	\$ 439,821	460,714	20,893
Investment Income	-	4,051	4,051
Total revenues	439,821	464,765	24,944
Other financing source - transfer from the General Fund	65,519	65,519	-
Total revenues and other financing source	\$ 505,340	530,284	24,944
Fee Supported Activities Fund			
Revenues			
Charges for services	\$ 38,750	208,154	169,404
Recovered costs	-	28,583	28,583
Investment Income	-	25,924	25,924
Total revenues	38,750	262,661	223,911
Other financing source - transfer from the General Fund	50,000	50,000	-
Total revenues and other financing source	\$ 88,750	312,661	223,911
Tax Increment Financing Fund			
Revenues			
Taxes on real property	\$ 6,552,000	4,780,731	(1,771,269)
Total revenues and other financing source	\$ 6,552,000	4,780,731	(1,771,269)
Grants Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 3,513,204	2,130,242	(1,382,962)
Federal government	1,983,414	2,077,281	93,867
Investment Income	-	126,431	126,431
Charges for services	71,469	57,789	(13,680)
Miscellaneous revenue	254,451	617,374	362,923
Total revenues	5,822,538	5,010,223	(812,315)
Other financing sources			
Transfer from the General Fund	1,841,505	1,065,551	(775,954)
Transfer from other funds	260,611	334,843	74,232
Total other financing sources	2,102,116	1,400,394	(701,722)
Total revenues and other financing source	\$ 7,924,654	6,410,617	(1,514,037)

(Continued)

Community Development Fund, Interagency Consortium Fund, Community Corrections Fund,
 Fee Supported Activities Fund, Tax Increment Financing Fund, Grants Fund, E-911 Operations Fund,
 Chesapeake Juvenile Services Fund and Open Space Agriculture Preservation Fund
 Schedule of Revenues and Other Financing Sources - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Actual	Variance Positive (Negative)
E-911 Operations Fund			
Revenues			
Consumer telephone tax E-911	\$ 3,050,000	1,503,880	(1,546,120)
Intergovernmental revenues from the Commonwealth of Virginia:			
Wireless E-911 service board	1,038,202	2,286,436	1,248,234
Investment Income	-	49,632	49,632
Total revenues	4,088,202	3,839,948	(248,254)
Other financing sources			
Transfer from the General Fund	3,905,984	3,905,984	-
Total other financing sources	3,905,984	3,905,984	-
Total revenues and other financing sources	\$ 7,994,186	7,745,932	(248,254)
Chesapeake Juvenile Services Fund			
Revenues			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,338,400	2,209,875	(128,525)
Recovered costs	2,030,339	1,590,331	(440,008)
Charges for services	20,980	20,980	-
Total revenues	4,389,719	3,821,186	(568,533)
Other financing sources			
Transfer from the General Fund	2,330,534	2,330,534	-
Total other financing sources	2,330,534	2,330,534	-
Total revenues and other financing source	\$ 6,720,253	6,151,720	(568,533)
Open Space Agriculture Preservation Fund			
Other financing sources			
Transfer from the General Fund	\$ 1,151,152	1,151,152	-
Transfer from other funds	91,772	91,772	-
Total other financing sources	1,242,924	1,242,924	-
Total revenues and other financing source	\$ 1,242,924	1,242,924	-

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Appropriations	Expenditures - Public Welfare			Unexpended Balance	Encumbrances	Uncumbered Balance
		Prior Years	Current Year	Total			
HUD- Twenty-Three:							
HOME program grant	\$ 493,311	486,981	-	486,981	6,330	-	6,330
Total HUD-Twenty-Three	493,311	486,981	-	486,981	6,330	-	6,330
HUD- Twenty-Four:							
Administrative project costs	53,920	99,825	(260)	99,565	(45,645)	-	(45,645)
Other project costs	69,750	5,700	-	5,700	64,050	-	64,050
HOME program grant	588,611	588,614	-	588,614	(3)	-	(3)
Plugsville sewer assistance	144,607	1,400	-	1,400	143,207	-	143,207
Total HUD-Twenty-Four	856,888	695,539	(260)	695,279	161,609	-	161,609
HUD- Twenty-Five:							
Administrative project costs	5,737	5,732	5	5,737	-	-	-
Other project costs	101,222	104,345	-	104,345	(3,123)	-	(3,123)
HOME program grant	1,424,913	1,422,127	-	1,422,127	2,786	-	2,786
Rehabilitation	274,997	239,223	25,523	264,746	10,251	-	10,251
Section 108 debt service	3,123	3,123	-	3,123	-	-	-
Total HUD-Twenty-Five	1,809,992	1,774,550	25,528	1,800,078	9,914	-	9,914
HUD- Twenty-Six:							
Administrative project costs	7,580	7,380	-	7,380	200	-	200
Other project costs	160,011	156,887	-	156,887	3,124	-	3,124
HOME program grant	1,163,492	1,131,192	27,511	1,158,703	4,789	-	4,789
Rehabilitation	75,361	75,361	-	75,361	-	-	-
Environmental grants	96,580	91,328	-	91,328	5,252	-	5,252
Finance grant	15,313	15,312	-	15,312	1	-	1
Section 108 debt service	347,090	347,090	-	347,090	-	-	-
Total HUD-Twenty-Six	1,865,427	1,824,550	27,511	1,852,061	13,366	-	13,366
HUD- Twenty-Seven:							
Other project costs	56,312	56,312	-	56,312	-	-	-
HOME program grant	1,284,093	1,124,338	86,061	1,210,399	73,694	-	73,694
Rehabilitation	93,461	93,461	-	93,461	-	-	-
Environmental grants	118,079	118,079	-	118,079	-	-	-
Finance grant	28,164	28,164	-	28,164	-	-	-
Section 108 debt service	350,229	350,229	-	350,229	-	-	-
Total HUD-Twenty-Seven	\$ 1,930,338	1,770,583	86,061	1,856,644	73,694	-	73,694

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Expenditures - Public Welfare			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Prior Years	Current Year	Total				
HUD- Twenty-Eight:							
Other project costs	\$ 125,215	96,008	1,387	97,395	27,820	-	27,820
HOME program grant	1,126,937	324,054	418,334	742,388	384,549	-	384,549
Rehabilitation	60,416	60,766	15,034	75,800	(15,384)	-	(15,384)
Environmental grants	86,973	86,973	-	86,973	-	-	-
Finance grant	22,228	22,228	-	22,228	-	-	-
Section 108 debt service	352,321	352,321	-	352,321	-	-	-
Total HUD-Twenty-Eight	1,774,090	942,350	434,755	1,377,105	396,985	-	396,985
HUD- Twenty-Nine:							
Administrative project costs	239,849	239,335	-	239,335	514	-	514
Other project costs	335,645	302,114	-	302,114	33,531	-	33,531
HOME program grant	697,329	445,502	71,550	517,052	180,277	-	180,277
Rehabilitation	77,015	77,165	12,645	89,810	(12,795)	-	(12,795)
Environmental grants	96,431	96,431	-	96,431	-	-	-
Finance grant	30,879	24,778	-	24,778	6,101	-	6,101
Fire grants	5,000	5,000	-	5,000	-	-	-
Section 108 loan program	720,000	720,000	-	720,000	-	-	-
Section 108 debt service	400,000	400,000	-	400,000	-	-	-
Total HUD-Twenty-Nine	2,602,148	2,310,325	84,195	2,394,520	207,628	-	207,628
HUD- Thirty:							
Administrative project costs	262,615	245,608	-	245,608	17,007	-	17,007
Other project costs	289,367	279,006	4,815	283,821	5,546	-	5,546
HOME program grant	811,302	45,964	88,786	134,750	676,552	-	676,552
Rehabilitation	186,379	73,428	20,189	93,617	92,762	-	92,762
Environmental grants	136,431	10,418	-	10,418	126,013	-	126,013
Finance grant	540,126	96,203	-	96,203	443,923	-	443,923
Fire grants	5,000	24,089	-	24,089	(19,089)	-	(19,089)
Section 108 debt service	467,679	467,679	10,214	477,893	(10,214)	-	(10,214)
Total HUD-Thirty	2,698,899	1,242,395	124,004	1,366,399	1,332,500	-	1,332,500
HUD- Thirty-One:							
Administrative project costs	242,954	317,886	2,074	319,960	(77,006)	-	(77,006)
Other project costs	279,700	161,426	7,558	168,984	110,716	-	110,716
HOME program grant	820,080	-	161,455	161,455	658,625	-	658,625
Rehabilitation	77,194	57,468	17,989	75,457	1,737	-	1,737
Environmental grants	91,609	80,328	-	80,328	11,281	-	11,281
Finance grant	40,998	13,142	-	13,142	27,856	-	27,856
Fire grants	4,750	1,999	2,751	4,750	-	-	-
Section 108 debt service	380,000	246,462	63,662	310,124	69,876	-	69,876
Total HUD-Thirty-One	1,937,285	878,711	255,489	1,134,200	803,085	-	803,085

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10, Continued

Community Development Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Appropriations	Expenditures - Public Welfare		Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year			
HUD- Thirty-Two:						
Administrative project costs	\$ 347,485	-	211,353	136,132	2,057	134,075
Other project costs	173,000	-	226,537	(53,537)	1,062	(54,599)
HOME program grant	675,250	-	94,658	580,592	-	580,592
Rehabilitation	162,156	-	80,074	82,082	-	82,082
Environmental grants	92,758	-	38,712	54,046	-	54,046
Finance grant	885,000	-	-	885,000	-	885,000
Fire grants	4,275	-	1,711	2,564	-	2,564
Section 108 debt service	380,000	-	321,932	58,068	-	58,068
Total HUD-Thirty-Two	2,719,924	-	974,977	1,744,947	3,119	1,741,828
Total expenditures and encumbrances	\$ 18,688,302	11,925,984	2,012,260	4,750,058	3,119	4,746,939

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Interagency Consortium Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
Public welfare:							
Contract services	\$ 3,669,189	2,792,063	-	2,792,063	877,126	-	877,126
Administrative expenses	248,545	197,686	-	197,686	50,859	42	50,817
Total expenditures and encumbrances	\$ 3,917,734	2,989,749	-	2,989,749	927,985	42	927,943

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-12

Community Corrections Fund
 Schedule of Expenditures, Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES							
General government:							
Diversion services	\$ 179,077	173,964	-	173,964	5,113	-	5,113
Pre-trial services	339,348	338,965	-	338,965	383	-	383
Total expenditures and encumbrances	\$ 518,425	512,929	-	512,929	5,496	-	5,496

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-13

Fee Supported Activities Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 138,750	54,951	-	54,951	83,799	-	83,799
Total expenditures and encumbrances	\$ 138,750	54,951	-	54,951	83,799	-	83,799

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-14

Tax Increment Financing Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General Government	\$ 747,647	371,533	-	371,533	376,114	-	376,114
Total expenditures and encumbrances	\$ 747,647	371,533	-	371,533	376,114	-	376,114

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-15

Grants Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures			Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Year	Current Year					
EXPENDITURES								
General government	\$ 9,822,592	3,757,309	1,287,969	5,045,278	4,777,314	66,977	4,710,337	
Public safety	18,036,811	11,215,285	2,750,162	13,965,447	4,071,364	562,011	3,509,353	
Parks	923,074	510,347	219,303	729,650	193,424	1,329	192,095	
Public welfare	6,042,523	3,910,782	592,020	4,502,802	1,539,721	38,990	1,500,731	
Public Works	855,747	8,143	77,579	85,722	770,025	-	770,025	
Total expenditures and encumbrances	\$35,680,747	\$19,401,866	\$ 4,927,033	\$24,328,899	\$11,351,848	\$ 669,307	\$ 10,682,541	

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-16

E-911 Operations Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - Public safety	\$ 6,186,631	4,662,134	277,070	4,939,204	1,247,427	863,081	384,346
Total expenditures and encumbrances	\$ 6,186,631	4,662,134	277,070	4,939,204	1,247,427	863,081	384,346

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-17

Chesapeake Juvenile Services Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay				
EXPENDITURES - General government	\$ 6,597,198	6,185,075	-	6,185,075	412,123	849	411,274
Total expenditures and encumbrances	\$ 6,597,198	6,185,075	-	6,185,075	412,123	849	411,274

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-18

Open Space Agriculture Preservation
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2007

	Revised Budget	Expenditures			Unexpended Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay	Total			
EXPENDITURES - General government	\$ 1,536,839	101,555	-	101,555	1,435,284	-	1,435,284
Total expenditures and encumbrances	\$ 1,536,839	101,555	-	101,555	1,435,284	-	1,435,284

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, 2007

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and temporary investments	\$ 261,573	2,393,301	969,096	3,623,970
Receivables:				
Accounts	2,048	31,178	1,991	35,217
Interest	-	20,104	-	20,104
Inventory of materials and supplies	1,703	-	7,192	8,895
Total current assets	265,324	2,444,583	978,279	3,688,186
Noncurrent assets:				
Capital assets:				
Land	-	383,694	-	383,694
Construction in progress	-	-	12,912	12,912
Buildings	-	19,624	10,822	30,446
Improvements other than buildings	73,793	-	-	73,793
Equipment and vehicles	48,543	416,602	387,221	852,366
Infrastructure	150,284	5,050,444	-	5,200,728
Less accumulated depreciation	(67,920)	(3,661,935)	(339,904)	(4,069,759)
Total capital assets, net of accumulated depreciation	204,700	2,208,429	71,051	2,484,180
Total noncurrent assets	204,700	2,208,429	71,051	2,484,180
Total assets	\$ 470,024	4,653,012	1,049,330	6,172,366
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,488	8,513	89,084	101,085
Accrued expenses and other liabilities	596	7,179	146	7,921
Deferred revenues	8,031	-	44,910	52,941
Current portion of accrued vacation, sick pay, and overtime leave	2,335	21,613	1,662	25,610
Total current liabilities	14,450	37,305	135,802	187,557
Noncurrent liabilities:				
Accrued vacation, sick pay, and overtime leave	3,159	29,241	2,247	34,647
Total noncurrent liabilities	3,159	29,241	2,247	34,647
Total liabilities	17,609	66,546	138,049	222,204
Net Assets				
Invested in capital assets, net of related debt	204,700	2,208,429	71,051	2,484,180
Unrestricted	247,715	2,378,037	840,230	3,465,982
Total net assets	452,415	4,586,466	911,281	5,950,162
Total liabilities and net assets	\$ 470,024	4,653,012	1,049,330	6,172,366

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-2

Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2007

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
REVENUES				
Charges for services:				
Tolls and tickets	\$ -	1,587,152	-	1,587,152
Rental fees	76,404	-	1,375	77,779
Recreation fees	28,491	-	469,829	498,320
Recovered costs	227	-	140	367
Other	15,832	718	240,435	256,985
Total operating revenues	120,954	1,587,870	711,779	2,420,603
OPERATING EXPENSES				
Purchases for resale	8,911	-	38,802	47,713
General and administrative	19,666	55,906	37,800	113,372
Other salaries and wages	41,136	557,563	120,944	719,643
Other fringe benefits	13,244	190,917	25,622	229,783
Other repairs and supplies	13,038	47,443	108,808	169,289
Equipment rental	380	4,190	5,863	10,433
Other contractual services	7,934	93,362	279,998	381,294
Depreciation and amortization	4,316	199,740	48,539	252,595
Total operating expenses	108,625	1,149,121	666,376	1,924,122
Operating income (loss)	12,329	438,749	45,403	496,481
NONOPERATING REVENUES				
Investment income	8,987	81,962	33,293	124,242
Gain on sale of equipment	-	3,405	-	3,405
Total nonoperating revenues (expenses)	8,987	85,367	33,293	127,647
Income (loss) before transfers and contributions	21,316	524,116	78,696	624,128
Transfers out	(8,987)	-	(33,293)	(42,280)
Capital contribution	-	311,463	-	311,463
Increase (decrease) in net assets	12,329	835,579	45,403	893,311
Total net assets - beginning	440,086	3,750,887	865,878	5,056,851
Total net assets - ending	\$ 452,415	4,586,466	911,281	5,950,162

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2007

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 117,709	1,582,846	704,795	2,405,350
Payments to suppliers	(48,939)	(197,443)	(432,085)	(678,467)
Payments to employees	(52,677)	(744,084)	(147,017)	(943,778)
Net cash provided by operating activities	16,093	641,319	125,693	783,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(8,987)	-	(33,293)	(42,280)
Net cash used in noncapital financing activities	(8,987)	-	(33,293)	(42,280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(150,284)	-	(9,935)	(160,219)
Proceeds from sale of assets	-	3,405	-	3,405
Net cash used in capital and related financing activities	(150,284)	3,405	(9,935)	(156,814)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	8,987	101,374	33,293	143,654
Net cash provided by investing activities	8,987	101,374	33,293	143,654
Net increase in cash and temporary investments	(134,191)	746,098	115,758	727,665
Cash and temporary investments beginning of year	395,764	1,647,203	853,338	2,896,305
Cash and temporary investments end of year	\$ 261,573	2,393,301	969,096	3,623,970

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule Q-3, Continued

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2007

	Northwest River Park	Jordan Bridge	Recreation	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 12,329	438,749	45,403	496,481
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	4,316	199,740	48,539	252,595
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	(797)	(5,024)	(1,617)	(7,438)
Inventory of materials and supplies	1,131	-	(933)	198
Accounts payable	(141)	3,457	(5,367)	(2,051)
Deferred revenues	(2,448)	-	40,119	37,671
Accrued expenses and other liabilities	363	2,027	(538)	1,852
Accrued vacation and sick pay	1,340	2,370	87	3,797
Total adjustments	3,764	202,570	80,290	286,624
Net cash provided by operating activities	\$ 16,093	641,319	125,693	783,105
Supplemental information on significant noncash transactions:				
Jordan Bridge:				
Contributions of capital assets	\$ 311,463			

This page intentionally left blank



Internal Service Funds

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

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

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule R-1

Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Information Technology	City Garage	Self- Insurance	Total
ASSETS				
Current assets:				
Cash and temporary investments	\$ 2,750,816	8,382,751	14,143,745	25,277,312
Receivables:				
Accounts	171	59,807	-	59,978
Interest	-	-	118,860	118,860
Inventory of materials and supplies	-	435,672	-	435,672
Prepaid expenses	-	-	872,456	872,456
Total current assets	2,750,987	8,878,230	15,135,061	26,764,278
Noncurrent assets:				
Capital assets:				
Construction in progress	527,640	-	-	527,640
Buildings	-	117,649	20,930	138,579
Improvements other than buildings	228,124	170,179	-	398,303
Equipment and vehicles	8,263,366	59,164,526	56,136	67,484,028
Less accumulated depreciation	(3,149,722)	(35,736,996)	(66,269)	(38,952,987)
Total capital assets, net of accumulated depreciation	5,869,408	23,715,358	10,797	29,595,563
Total noncurrent assets	5,869,408	23,715,358	10,797	29,595,563
Total assets	\$ 8,620,395	32,593,588	15,145,858	56,359,841
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 534,288	527,508	20,690	1,082,486
Accrued expenses and other liabilities	18,696	17,052	-	35,748
Current portion of obligations under capital leases	377,596	2,486,510	-	2,864,106
Current portion of accrued vacation, sick pay, and overtime leave	139,112	56,436	7,898	203,446
Current portion of liability for self-insurance losses	-	-	4,828,154	4,828,154
Total current liabilities	1,069,692	3,087,506	4,856,742	9,013,940
Noncurrent liabilities:				
Obligations under capital leases	811,735	6,282,246	-	7,093,981
Accrued vacation, sick pay, and overtime leave	188,209	76,355	10,685	275,249
Liability for self-insurance losses	-	-	20,312,612	20,312,612
Total noncurrent liabilities	999,944	6,358,601	20,323,297	27,681,842
Total liabilities	2,069,636	9,446,107	25,180,039	36,695,782
Net Assets				
Invested in capital assets, net of related debt	4,794,536	14,946,602	10,797	19,751,935
Unrestricted	1,756,223	8,200,879	(10,044,978)	(87,876)
Total net assets	6,550,759	23,147,481	(10,034,181)	19,664,059
Total liabilities and net assets	\$ 8,620,395	32,593,588	15,145,858	56,359,841

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-2

Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2007

	Information Technology	City Garage	Self- Insurance	Total
REVENUES				
Billings to departments	\$ 8,344,020	16,113,274	5,654,030	30,111,324
Billings to outside agencies & component units	402,370	979,690	-	1,382,060
Recovered costs	12,897	95,521	153,179	261,597
Total operating revenues	8,759,287	17,188,485	5,807,209	31,754,981
OPERATING EXPENSES				
Cost of materials billed	-	4,004,321	-	4,004,321
Purchases for resale	-	1,691,459	-	1,691,459
General and administrative	443,651	535,837	13,382	992,870
Other salaries and wages	3,223,394	1,521,839	182,154	4,927,387
Other fringe benefits	1,060,444	601,734	69,225	1,731,403
Self-insurance losses	-	-	7,279,620	7,279,620
Indemnity and medical claims	-	-	2,316,363	2,316,363
Other repairs and supplies	1,302,165	1,084,401	16,856	2,403,422
Equipment rental	326,499	40,894	2,127	369,520
Other contractual services	617,278	202,375	53,128	872,781
Depreciation and amortization	1,259,603	4,143,795	523	5,403,921
Insurance premiums	-	-	1,187,384	1,187,384
Total operating expenses	8,233,034	13,826,655	11,120,762	33,180,451
Operating income (loss)	526,253	3,361,830	(5,313,553)	(1,425,470)
NONOPERATING REVENUES (EXPENSES)				
Investment income	94,510	284,755	778,812	1,158,077
Interest expense	(49,597)	(221,522)	-	(271,119)
Gain on sale of equipment	1,505	215,684	-	217,189
Loss on sale of equipment	(18,270)	(351,765)	-	(370,035)
Total nonoperating revenue (expenses)	28,148	(72,848)	778,812	734,112
Income (loss) before transfers and contributions	554,401	3,288,982	(4,534,741)	(691,358)
Transfers in (note 8)	94,016	1,842,646	11,027	1,947,689
Transfers out (note 8)	(94,510)	(349,095)	-	(443,605)
Capital Contributions	4,826,910	-	-	4,826,910
Increase (decrease) in net assets	5,380,817	4,782,533	(4,523,714)	5,639,636
Total net assets - beginning	1,169,942	18,364,948	(5,510,467)	14,024,423
Total net assets - ending	\$ 6,550,759	23,147,481	(10,034,181)	19,664,059

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	Information Technology	City Garage	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 8,942,223	17,598,429	5,807,209	32,347,861
Payments to suppliers	(2,297,970)	(7,394,650)	(7,009,580)	(16,702,200)
Payments to employees	(4,281,243)	(2,078,770)	(246,750)	(6,606,763)
Net cash provided by operating activities	2,363,010	8,125,009	(1,449,121)	9,038,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	94,016	1,842,646	11,027	1,947,689
Transfers out	(94,510)	(349,095)	-	(443,605)
Repayment of obligations under capital leases for equipment not capitalized	(222,382)	-	-	(222,382)
Net cash used in noncapital financing activities	(222,876)	1,493,551	11,027	1,281,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(537,555)	(3,385,322)	-	(3,922,877)
Interest paid	(49,597)	(221,522)	-	(271,119)
Repayment of obligations under capital leases	(201,274)	(2,112,235)	-	(2,313,509)
Proceeds from sale of capital assets	1,505	273,930	-	275,435
Net cash used in capital and related financing activities	(786,921)	(5,445,149)	-	(6,232,070)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	94,510	284,755	775,409	1,154,674
Net cash provided by investing activities	94,510	284,755	775,409	1,154,674
Net increase in cash and temporary investments	1,447,723	4,458,166	(662,685)	5,243,204
Cash and temporary investments beginning of year	1,303,093	3,924,585	14,806,430	20,034,108
Cash and temporary investments end of year	\$ 2,750,816	8,382,751	14,143,745	25,277,312

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule R-3, Continued

Combining Statement of Cash Flows
 Internal Service Funds
 Year Ended June 30, 2007

	Information Technology	City Garage	Self-Insurance	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 526,253	3,361,830	(4,313,553)	(425,470)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,259,603	4,143,795	523	5,403,921
Change in assets and liabilities increasing (decreasing) cash and temporary investments:				
Receivables	182,936	409,944	-	592,880
Inventory of materials and supplies	-	(4,067)	-	(4,067)
Prepaid expenses and other assets	-	-	(29,559)	(29,559)
Accounts payable	381,271	168,704	(11,132)	538,843
Accrued expenses and other liabilities	10,352	3,867	2,899,971	2,914,190
Accrued vacation and sick pay	2,595	40,936	4,629	48,160
Total adjustments	1,836,757	4,763,179	2,864,432	9,464,368
Net cash provided by operating activities	\$ 2,363,010	8,125,009	(1,449,121)	9,038,898
Supplemental information on significant noncash transactions:				
Borrowing under capital leases:				
Information Technology	\$ 272,115			
City Garage	4,206,223			

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

This page intentionally left blank



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.



This page intentionally left blank



CITY OF CHESAPEAKE, VIRGINIA

Schedule S

Statement of Changes in Assets and Liabilities
 Special Welfare Fund
 Year Ended June 30, 2007

	Balances at July 1, 2006	Additions	Deductions	Balances at June 30, 2007
ASSETS				
Cash and temporary investments	\$ 12,353	42,247	34,344	20,256
Total current assets	\$ 12,353	42,247	34,344	20,256
LIABILITIES				
Due to children under foster care	\$ 12,353	42,247	34,344	20,256
Total liabilities	\$ 12,353	42,247	34,344	20,256

This page intentionally left blank



Other Component Units

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



CITY OF CHESAPEAKE, VIRGINIA

Schedule T-1

Combining Balance Sheet and Statement of Net Assets
 Other Component Units
 June 30, 2007

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Current assets:		
Cash and temporary investments	\$ 4,583,436	4,475
Inventory of materials and supplies	535,088	-
Total current assets	5,118,524	4,475
Total assets	\$ 5,118,524	4,475
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ 105,079	91
Noncurrent liabilities:		
Due to primary government	-	944,793
Total liabilities	105,079	944,884
Fund Balance		
Reserved:		
Encumbrances	189,821	-
Inventory	535,088	-
Other reserves	889,307	-
Unreserved	3,399,229	-
Net Assets		
Unrestricted	-	(940,409)
Total fund balance and net assets	5,013,445	(940,409)
Total liabilities, fund balance, and net assets	\$ 5,118,524	4,475
Reconciliation to Net Assets:		
Total fund balance	\$ 5,013,445	
Capital assets - net of depreciation	3,220,064	
Net Assets	\$ 8,233,509	

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-2

Statement of Revenue, Expenditures, and Changes in Fund Balance
 Other Component Units
 Year Ended June 30, 2007

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 5,792,808
Investment income	155,874
Other	40,955
Total operating revenues	5,989,637
OPERATING EXPENSES	
Other salaries and wages	2,012,114
Other fringe benefits	905,280
Other repairs and supplies	552,140
Insurance premiums	166,440
Capital outlay	1,480,368
Payments to the General Government	300,000
Other	452,208
Total expenditures	5,868,550
Excess of revenues over expenditures	121,087
Fund balance - beginning	4,892,358
Fund balance - ending	\$ 5,013,445

Reconciliation to Change in Net Assets:

Governmental funds report capital outlay as expenditures. However, when reporting net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Change in fund balance	\$ 121,087
Depreciation expense	(170,040)
Capital outlay expenditures	1,480,368
Change in Net Assets	\$ 1,431,415

CITY OF CHESAPEAKE, VIRGINIA

Schedule T-3

Statement of Revenue, Expenditures, and Changes in Fund Net Assets
Other Component Units
Year Ended June 30, 2007

	Chesapeake Port Authority	
OPERATING EXPENSES		
General and administrative	\$	14,672
Total operating expenditures		14,672
Operating loss		(14,672)
NONOPERATING REVENUES		
Investment income		22
Appropriations from the City		14,553
Total nonoperating revenues		14,575
Increase (decrease) in net assets		(97)
Net assets - beginning		(940,312)
Net assets - ending	\$	(940,409)

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

Statement of Cash Flows
Other Component Units
Year Ended June 30, 2007

	Chesapeake Port Authority
CASH FLOWS USED IN OPERATING ACTIVITIES	
Payments to suppliers	\$ (14,195)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	14,553
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Investment income	22
<hr/>	
Net increase in cash and temporary investments	380
<hr/>	
Cash and temporary investments beginning of year	4,095
<hr/>	
Cash and temporary investments end of year	\$ 4,475
<hr/>	
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,672)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts payable	477
<hr/>	
Net cash used in operating activities	\$ (14,195)

This page intentionally left blank



STATISTICAL SECTION

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

Financial Trends – These schedules contain information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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



CITY OF CHESAPEAKE, VIRGINIA

Table 1

Net Assets by Component
Last Six Fiscal Years - Unaudited

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in capital assets, net of related debt	\$ 539,948,528	544,936,380	563,288,318	588,733,474	649,736,620	666,474,648
Restricted for:						
Capital projects	8,083,703	7,989,225	11,735,419	9,684,866	6,604,716	8,818,429
Debt service	15,682,603	15,626,869	15,699,358	10,976,974	7,585,894	9,498,240
Other purposes:						
Expendable	2,489,268	3,668,508	5,947,315	1,270,039	32,080,786	39,740,870
Nonexpendable	12,795	12,795	12,795	12,795	12,795	12,795
Unrestricted	91,868,082	98,889,061	104,355,168	158,375,919	175,198,047	193,675,640
Total governmental activities net assets	\$ 658,084,979	671,122,838	701,038,373	769,054,067	871,218,858	918,220,622
Business Type Activities						
Invested in capital assets, net of related debt	\$ 228,743,587	237,029,324	228,068,375	249,688,287	254,349,571	263,256,688
Restricted for:						
Capital projects	1,486,345	2,152,881	2,636,724	2,061,689	3,260,963	3,053,741
Debt service	7,118,289	5,948,680	6,789,536	5,710,688	5,532,370	4,987,244
Other purposes:						
Expendable	38,257,791	36,571,541	51,110,767	38,493,631	46,287,418	55,711,887
Unrestricted	1,479,914	1,180,559	1,169,678	1,986,705	1,619,932	2,492,078
Total business-type activities net assets	\$ 277,085,926	282,882,985	289,775,080	297,941,000	311,050,254	329,501,638
Primary Government						
Invested in capital assets, net of related debt	\$ 768,692,115	781,965,704	791,356,693	838,421,761	904,086,191	929,731,336
Restricted for:						
Capital projects	9,570,048	10,142,106	14,372,143	11,746,555	9,865,679	11,872,170
Debt service	22,800,892	21,575,549	22,488,894	16,687,662	13,118,264	14,485,484
Other purposes:						
Expendable	40,747,059	40,240,049	57,058,082	39,763,670	78,368,204	95,452,179
Nonexpendable	12,795	12,795	12,795	12,795	12,795	12,795
Unrestricted	93,347,996	100,069,620	105,524,846	160,362,624	176,817,979	196,167,718
Total primary government net assets	\$ 935,170,905	954,005,823	990,813,453	1,066,995,067	1,182,269,112	1,247,721,682
Component Units						
Invested in capital assets, net of related debt	\$ 55,519,786	68,023,154	72,780,433	76,186,297	84,249,220	97,490,222
Restricted for:						
Capital projects						
Other purposes:						
Expendable	1,720,719	1,882,000	1,866,409			
Unrestricted	(6,741,990)	(10,675,859)	(13,647,190)	(10,102,135)	(13,520,512)	(8,265,134)
Total component units net assets	\$ 61,625,747	68,227,219	69,533,636	72,686,627	76,398,333	122,180,854

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

CITY OF CHESAPEAKE, VIRGINIA

Table 2

Changes in Net Assets
Last Six Fiscal Years - Unaudited

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program Revenues						
Governmental activities:						
Charges for Services:						
General government	\$ 9,437,972	11,271,768	12,610,106	12,691,638	11,164,814	11,622,631
Public safety	3,856,216	4,581,012	4,487,073	5,140,050	5,975,514	6,128,427
Public works	1,047,905	893,075	1,266,418	1,379,049	1,331,973	1,285,196
Parks	136,676	115,118	133,233	174,071	74,469	74,480
Public welfare	1,783,245	2,036,441	2,235,788	2,121,147	2,635,982	2,715,215
Operating grants and contributions	71,087,965	70,035,588	88,508,739	77,669,726	90,120,716	91,245,176
Capital grants and contributions	8,709,059	13,475,575	18,544,379	35,617,170	27,830,644	13,814,033
Total governmental activities program revenues	\$ 96,059,038	102,408,577	127,785,736	134,792,851	139,134,112	126,885,158
Business-type activities:						
Charges for Services:						
Public Utilities	\$ 34,632,317	34,453,540	39,898,644	39,725,069	42,572,239	47,743,685
Chesapeake Expressway	4,368,653	6,249,849	6,678,718	6,911,794	7,074,711	7,375,691
Stormwater Management	1,111,604	4,424,005	4,532,744	4,600,299	4,713,008	6,645,062
Northwest River Park	125,909	105,798	102,271	138,998	128,933	120,954
Jordan Bridge	5,869,474	1,104,234	1,089,250	1,649,017	1,538,705	1,902,738
Recreation	542,970	574,164	570,169	630,819	694,222	711,779
Operating grants and contributions	1,939,415	998,269	997,162	1,248,956	1,858,181	2,878,949
Capital grants and contributions	6,121,552	8,258,622	5,959,652	8,134,879	10,928,051	13,108,199
Total business-type program revenues	\$ 54,711,894	56,168,481	59,828,610	63,039,831	69,508,050	80,487,057
Total primary government program revenues	\$ 150,770,932	158,577,058	187,614,346	197,832,682	208,642,162	207,372,215
Component Units						
Charges for Services:						
Public Schools	\$ 6,617,048	7,174,775	7,536,856	7,287,354	7,870,493	8,398,845
Chesapeake Mosquito Control Commission (1)	3,289,893	3,427,738	-	-	-	-
Economic Development Authority	40,823	300,000	-	-	-	-
Chesapeake Port Authority	32,500	234,252	-	-	-	-
Chesapeake Airport Authority	180,231	-	273,697	278,615	361,632	371,644
Operating grants and contributions	51,600,015	56,775,219	55,723,417	67,183,629	76,851,214	86,696,917
Capital grants and contributions	3,541,036	1,318,018	2,216,117	2,181,385	1,343,384	1,922,839
Total component unit program revenues	\$ 65,301,546	69,230,002	65,750,087	76,930,983	86,426,723	97,390,245
Total primary government and component units program revenues	\$ 216,072,478	227,807,060	253,364,433	274,763,665	295,068,885	304,762,460

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 2, (Continued)

Changes in Net Assets
Last Six Fiscal Years - Unaudited

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 84,448,270	80,503,601	107,595,440	102,155,781	101,278,295	138,975,208
Public safety	64,783,649	65,792,095	73,556,936	71,944,068	77,947,397	82,230,825
Public works	36,157,109	37,462,813	36,681,770	40,171,186	40,314,100	20,433,010
Parks	8,505,832	9,346,534	8,871,362	4,040,492	6,417,776	6,734,701
Public welfare	34,782,299	32,721,747	33,963,274	37,546,666	38,702,645	40,152,650
Education	127,641,137	134,217,915	134,528,877	143,874,317	157,328,449	209,181,274
Interest on long term debt	22,917,657	21,747,106	21,435,242	19,215,361	19,785,611	20,504,113
Depreciation and amortization - net unallocated portion	20,330,313	20,499,181	20,634,855	21,051,803	21,445,311	27,631,966
Total governmental activities	\$ 399,566,266	402,290,992	437,677,756	439,999,674	463,219,584	545,843,747
Business-type activities:						
Public Utilities	\$ 35,894,396	36,267,069	38,593,511	39,964,142	41,565,116	45,282,237
Chesapeake Expressway	2,399,388	8,956,642	8,730,072	8,822,878	9,353,137	10,069,048
Stormwater Management	985,979	2,665,521	3,391,274	3,578,748	3,244,651	3,483,545
Northwest River Park	94,993	96,570	83,006	103,767	110,101	108,625
Jordan Bridge	7,999,192	905,821	1,260,395	1,111,030	1,082,663	1,149,121
Recreation	424,166	590,973	537,006	629,371	665,589	666,376
Total business-type activities	\$ 47,798,114	49,482,596	52,595,264	54,209,936	56,021,257	60,758,952
Total primary government	\$ 447,364,380	451,773,588	489,863,020	494,209,610	519,240,841	606,602,700
Component units						
Public Schools	\$ 276,048,977	300,984,185	317,127,950	348,832,222	374,191,792	413,008,600
Chesapeake Mosquito Control Commission	2,861,611	3,381,853	3,593,597	3,606,347	4,137,568	4,558,222
Economic Development Authority	3,003,184	3,342,738	3,147,811	2,760,873	5,105,041	5,120,015
Chesapeake Port Authority	31,159	-	400	2,000	12,984	14,672
Chesapeake Airport Authority	984,715	1,035,264	1,173,685	1,151,836	1,202,651	1,421,866
Total component units	\$ 282,929,646	308,744,040	325,043,443	356,353,278	384,650,036	424,123,375
Net (Expense)/Revenue						
Governmental activities	\$ (303,507,238)	(299,882,415)	(309,482,020)	(305,206,823)	(324,085,472)	(418,958,589)
Business-type activities	6,913,780	6,685,885	7,233,346	8,829,895	13,486,793	19,728,105
Total primary government net expense	\$ (296,593,448)	(293,196,530)	(302,248,674)	(296,376,928)	(310,598,679)	(399,230,484)
Total component units net expense	\$ (217,628,100)	(239,514,038)	(259,293,356)	(279,422,295)	(298,223,313)	(326,733,130)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 2, (Continued)

Changes in Net Assets
Last Six Fiscal Years - Unaudited

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenue and Other Changes in Net Assets						
Governmental activities:						
Taxes (2):						
Property taxes, levied for general purposes	\$ 172,104,542	186,726,025	205,187,258	224,842,486	260,070,410	293,006,291
Other local taxes	26,121,116	n/a	n/a	n/a	n/a	n/a
Public service taxes	17,068,149	n/a	n/a	n/a	n/a	n/a
Sales taxes	15,191,835	n/a	n/a	n/a	n/a	n/a
Local sales and use taxes	n/a	26,452,698	29,744,620	31,989,281	34,355,722	35,952,042
Business license taxes	n/a	17,532,069	19,351,581	21,461,924	23,853,491	24,170,737
Consumer utility taxes	27,831,303	17,200,898	19,820,181	20,087,144	20,203,462	21,166,147
Other taxes	28,089,957	33,468,540	33,974,457	38,078,922	41,289,606	41,880,370
Grants and contributions not restricted to specific programs	3,064,209	28,323,399	29,354,088	31,790,594	33,769,560	32,178,481
Unrestricted investment earnings	2,066,037	1,549,235	1,307,168	3,132,655	8,312,030	13,435,389
Miscellaneous	(15,126)	(46,502)	255,430	990,374	3,906,011	3,154,850
Loss on disposition of assets						
Transfers	1,195,621	1,037,012	402,772	849,137	489,971	1,336,063
Total general activities revenues & transfers	\$ 292,717,643	312,920,274	339,397,555	373,222,517	426,250,263	466,280,370
Business-type activities:						
Unrestricted investment earnings	\$ 24,842	148,186	61,521	185,162	112,432	124,242
Transfers	(1,195,621)	(1,037,012)	(402,772)	(849,137)	(489,971)	(1,336,063)
Total business-type activities revenues & transfers	\$ (1,170,779)	(888,826)	(341,251)	(663,975)	(377,539)	(1,211,821)
Total primary government revenues & transfers	\$ 291,546,864	312,031,448	339,056,304	372,558,542	425,872,724	465,068,549
Component Units:						
Payment from City	\$ 120,484,322	127,255,113	126,876,092	136,398,571	150,652,116	202,519,335
Grants and contributions not restricted to specific programs	110,076,825	118,549,819	132,018,587	145,451,853	149,142,199	166,996,775
Unrestricted investment earnings	68,678	24,185	9,668	73,136	1,204,100	2,410,518
Miscellaneous	19,588	271,971	1,700,426	651,726	936,605	589,023
Gain (loss) on disposition of assets	(315,750)	9,422	-	-	-	-
Total component units	\$ 230,333,663	246,110,510	260,604,773	282,575,286	301,935,020	372,515,651
Change in Net Assets						
Governmental activities	\$ (10,789,585)	13,037,859	29,915,535	68,015,694	102,164,791	47,321,781
Business-type activities	5,743,001	5,797,059	6,892,095	8,165,920	13,109,254	18,516,284
Total primary government net change in net assets	\$ (5,046,584)	18,834,918	36,807,630	76,181,614	115,274,045	65,838,065
Component Units	\$ 12,705,563	6,596,472	1,311,417	3,152,991	3,711,707	45,782,521

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

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

(2) Change in presentation for tax revenue beginning in 2003.

CITY OF CHESAPEAKE, VIRGINIA

Table 3

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

	Fiscal Years									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved:										
Expendable	\$ 16,250,225	\$ 17,422,218	\$ 15,431,465	\$ 14,233,897	\$ 6,426,892	\$ 5,233,480	\$ 7,540,096	\$ 11,689,066	\$ 19,163,556	\$ 43,175,202
Unreserved:										
Designated for cash flow emergencies	18,287,359	17,542,113	18,902,848	19,847,762	20,571,440	22,079,730	24,111,563	25,590,428	28,188,802	31,444,789
Designated for operating emergencies	-	-	-	16,505,980	16,505,980	16,505,980	16,785,980	17,355,561	23,490,669	26,203,990
Designated - General Fund	-	186,538	3,068,624	1,453,683	3,988,991	1,520,106	834,642	1,772,905	2,073,599	1,780,871
Undesignated	24,616,004	27,346,818	35,849,589	19,671,195	10,470,970	17,105,425	22,218,033	44,393,697	77,023,045	45,750,452
Total general fund	59,153,588	62,497,687	73,252,526	71,712,517	57,964,273	62,444,721	71,490,314	100,801,657	149,939,671	148,355,304
All Other Governmental Funds										
Reserved:										
Expendable	58,279,954	33,824,229	30,796,614	28,244,640	22,279,871	20,963,764	36,369,243	79,765,826	66,586,197	43,720,331
Nonexpendable	12,795	12,795	12,795	12,795	12,795	12,795	12,795	12,795	12,795	12,795
Unreserved:										
Designated for debt service	22,263,804	14,410,752	17,561,581	21,919,014	21,793,882	22,072,376	22,098,361	22,935,812	27,015,545	35,722,093
Designated for construction projects	28,429,812	29,136,998	20,676,532	17,086,910	25,741,923	38,131,214	18,756,584	-	-	-
Designated - Special Revenue Funds	-	-	321,747	47	47	225,097	6,687,149	62,553	51,796	51,749
Undesignated - Capital Projects Fund	-	-	-	6,246,288	5,679,332	-	-	(10,387,836)	8,110,323	32,148,580
Undesignated - Special Revenue Funds	4,195,701	4,900,488	6,633,379	-	-	7,529,476	9,205,815	12,823,816	16,361,382	26,987,225
Undesignated - Permanent Funds	104,321	110,441	117,017	125,548	-	-	137,962	141,235	146,589	154,274
Total all other governmental funds	113,286,387	82,395,703	76,119,665	73,635,242	75,507,850	88,934,722	93,267,909	105,354,201	118,284,627	138,797,047
Total Governmental Funds	\$ 172,439,975	\$ 144,893,390	\$ 149,372,191	\$ 145,347,759	\$ 133,472,123	\$ 151,379,443	\$ 164,758,223	\$ 206,155,858	\$ 268,224,298	\$ 287,152,351

CITY OF CHESAPEAKE, VIRGINIA

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

Table 4

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
General property taxes	\$ 156,250,695	160,541,780	164,829,570	166,443,901	173,500,445	187,609,314	203,503,495	224,815,562	254,570,961	287,428,178
Other local taxes	72,062,153	77,120,862	80,304,129	84,245,486	86,212,403	94,654,205	102,890,839	111,617,271	115,380,212	117,811,881
Licenses, permits, and fees	2,170,486	2,110,755	1,976,338	1,749,404	1,897,261	1,969,790	2,495,770	2,900,145	7,422,144	8,267,568
Fines and forfeitures	1,667,778	1,723,467	1,901,936	1,753,633	2,154,515	2,416,446	2,440,972	2,929,501	3,587,702	3,284,658
Investment income	9,680,789	8,003,368	6,818,853	8,641,916	4,249,510	2,150,796	1,363,374	3,361,642	7,628,030	12,277,373
Revenues from use of property	736,592	696,331	706,420	734,009	363,907	340,415	428,172	402,355	692,489	752,247
Charges for services	5,545,178	8,380,344	9,534,311	10,560,675	10,580,604	11,361,018	12,026,360	12,586,752	13,094,005	14,430,213
Miscellaneous local revenues	505,095	419,218	1,272,094	1,365,849	1,082,857	342,431	394,904	701,593	1,181,755	2,111,967
Recovered costs	2,303,736	3,865,889	4,043,245	3,713,818	4,851,799	4,412,312	4,087,899	3,522,595	3,039,786	2,235,212
Contributions	-	-	-	-	-	-	-	-	-	-
Unrealized gain on temporary investments	-	-	-	-	-	-	-	-	-	-
Program income	7,780	-	-	-	716,253	407,175	284,699	172,643	179,969	196,657
Revenues from local developers	503,971	660,513	570,665	651,519	899,776	636,732	1,011,455	1,737,131	2,360,155	1,539,730
Inergovernmental revenues:										
Commonwealth of Virginia	47,379,885	58,378,224	65,704,907	75,077,885	81,956,131	83,417,285	89,547,556	91,882,899	99,075,408	101,746,899
Federal government	10,259,951	16,936,459	13,353,705	12,205,666	13,735,228	15,930,534	29,013,323	17,469,444	19,257,416	16,213,096
Mosquito Control Commission	-	-	-	-	-	-	-	-	300,000	300,000
Chesapeake Public Schools	-	-	-	-	1,497,066	920,741	1,318,184	2,252,275	3,461,393	3,050,079
Other localities	-	-	-	20,000	-	-	-	-	-	-
Total revenues	\$ 309,074,089	338,837,210	351,016,173	367,163,761	383,697,755	406,569,194	450,807,002	476,351,808	531,231,425	571,645,758
EXPENDITURES										
Current:										
General government	\$ 57,689,859	65,776,798	69,593,718	73,731,655	79,542,562	79,234,484	105,434,018	96,583,251	99,715,504	104,994,583
Public safety	43,211,122	45,866,887	49,096,314	52,129,599	63,579,124	64,901,277	65,491,774	70,474,672	76,643,995	83,176,840
Public works	31,897,566	33,233,637	33,970,570	35,047,846	39,440,560	38,551,088	38,461,949	41,022,326	42,423,515	47,655,696
Parks	6,215,206	7,013,219	7,962,211	7,967,933	8,539,053	7,932,242	8,741,202	3,932,120	6,373,828	6,910,347
Public welfare	25,477,845	27,548,403	29,883,922	30,794,751	34,694,601	32,916,436	33,987,999	37,357,981	37,860,700	39,744,863
Education - Payments to Public Schools (1)	-	-	-	-	121,225,833	127,635,002	127,774,672	137,190,122	150,652,116	202,519,335
Benefit payments	-	-	-	-	-	-	-	-	-	-
Capital outlay	48,823,581	73,657,201	21,123,946	19,676,289	19,350,133	13,885,628	15,599,421	34,960,257	51,450,380	44,627,098
Debt service:										
Principal	14,127,658	15,276,591	13,590,131	21,530,560	24,435,865	22,935,196	25,577,280	26,854,851	29,135,993	30,420,147
Interest	23,781,800	23,085,361	23,271,407	23,784,635	23,074,156	22,431,441	21,393,424	19,760,635	19,369,437	21,508,440
Total expenditures	\$ 251,224,637	291,458,097	248,492,219	264,663,268	413,881,887	410,422,794	442,461,739	468,136,215	513,625,468	581,557,349
Excess (deficiency) of revenues over (under) expenditures	\$ 57,849,452	47,379,113	102,523,954	102,500,493	(30,184,132)	(3,853,600)	8,345,263	8,215,593	17,605,957	(9,911,591)

(Continued)

Table 4, (Continued)

CITY OF CHESAPEAKE, VIRGINIA

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	\$ 48,380,628	60,993,298	54,546,154	64,673,482	63,756,863	61,746,888	65,857,985	68,380,647	70,582,784	110,177,288
Proceeds from equipment capital leases	-	-	-	265,708	9,104,490	-	-	-	-	531,918
Transfers from component units	3,809,993	4,462,689	2,511,513	1,641,798	-	-	-	-	-	-
Proceeds from line of credit	375,830	227,971	-	-	-	-	4,940,000	-	-	-
Lease revenue bond issued	-	-	-	-	-	-	720,000	-	-	-
Section 108 loan funds	-	-	-	-	-	-	-	-	-	-
General obligation bonds issued	33,000,519	21,500,000	89,289	6,883,019	60,771,601	102,825,000	-	13,815,000	15,865,000	-
General obligation refunding bonds issued	-	-	-	-	-	-	62,920,000	-	-	-
Transfers to other funds	(48,877,822)	(63,037,533)	(51,522,171)	(66,709,904)	(64,551,515)	(61,580,997)	(66,899,055)	(68,917,222)	(70,584,457)	(110,345,316)
Transfer to component units	(102,440,419)	(98,729,336)	(103,676,514)	(113,126,514)	(54,308,889)	(89,449,965)	(70,300,043)	(913,530)	-	-
Payment to refunded bond escrow agent	-	-	-	-	3,535,946	8,219,994	7,794,630	394,743	59,276	-
Premiums on general obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Premiums on refunding bonds issued	-	-	-	-	-	-	-	-	-	-
VPSA bond proceeds	-	-	-	-	-	-	-	19,275,000	26,935,000	28,080,000
Premiums on VPSA bonds	-	-	-	-	-	-	-	1,147,404	1,072,963	927,672
Total other financing sources (uses)	\$ (65,751,271)	(74,582,911)	(98,051,729)	(106,372,411)	18,308,496	21,760,920	5,033,517	33,182,042	44,462,484	28,839,644
Net change in fund balances	\$ (7,901,819)	(27,203,798)	4,472,225	(3,871,918)	(11,875,636)	17,907,320	13,378,780	41,397,635	62,068,441	18,928,053
Debt service as a percentage of noncapital expenditures (1)	23.05%	21.38%	19.35%	22.69%	13.69%	12.92%	12.36%	12.06%	11.73%	10.71%

(1) Debt service as a percentage of noncapital expenditures is calculated as follows: (sum of general government expenditures + capital outlay expenditures + debt service payments) - capital outlay expenditures

CITY OF CHESAPEAKE, VIRGINIA

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

Table 5

Fiscal Year	Real Property (1)		Personal Property (1)		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Direct Tax Rate (2)	Estimated Actual Value	Estimated Actual Value	Actual Value
1998	\$ 9,040,735,075	\$ 9,040,735,075	\$ 993,216,197	\$ 993,216,197	1.53	\$ 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	1.55	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	1.56	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	1.56	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	1.55	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	1.54	13,493,848,523	13,493,848,523	100.00%
2004	13,248,747,216	13,248,747,216	1,426,488,475	1,426,488,475	1.54	14,675,235,691	14,675,235,691	100.00%
2005	14,713,238,641	14,713,238,641	1,583,230,288	1,583,230,288	1.53	16,296,468,929	16,296,468,929	100.00%
2006	17,451,186,558	17,451,186,558	1,685,278,225	1,685,278,225	1.46	19,136,464,783	19,136,464,783	100.00%
2007	22,067,528,772	22,067,528,772	1,735,938,436	1,735,938,436	1.30	23,803,467,208	23,803,467,208	100.00%

(1) Source: City of Chesapeake Commissioner of the Revenue

(2) The Direct Tax Rate is calculated using a formula that includes the City's actual tax rates of \$1.09 for real property and \$4.00 for personal property

Table 6

CITY OF CHESAPEAKE, VIRGINIA

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

Fiscal Year	REAL PROPERTY (1) (2) Vehicles	PERSONAL PROPERTY (3) (4)										Total Direct Rate	
		Motor Vehicles Disabled Vets (5)	Motor Carriers	Recreation Vehicles	Handicap Vehicle (5)	Boats (6)	Business Homes (7)	Machinery & Tools	Farm	Airplanes			
1998	1.26	4.00	1.50	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.53	(8)
1999	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.55	(8)
2000	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.56	(8)
2001	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.56	(8)
2002	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.55	(8)
2003	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.54	(8)
2004	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.54	(8)
2005	1.26	4.00	0.01	3.12	1.50	1.50	4.00	1.26	3.12	4.00	0.50	1.53	(8)
2006	1.21	4.00	0.01	3.12	1.50	0.01	4.00	1.21	3.12	4.00	0.50	1.46	(9)
2007	1.09	4.00	0.01	3.12	1.50	0.01	4.00	1.21	3.12	4.00	0.50	1.30	(10)

- (1) Assessment for real property is 100 percent of fair market value.
- (2) The general City real estate tax levy is \$1.09 per \$100 of assessed value. An additional \$.02 per \$100 of assessed value is imposed for mosquito control services.
- (3) The general City personal property tax levy is \$4.00 per \$100 of assessed value. An additional \$.08 per \$100 of assessed value is imposed for mosquito control services.
- (4) Boats and vehicles are assessed using 100% of the loan value from a recognized pricing guide. Boats and vehicles that are not found in a recognized pricing guide are assessed as a percentage of their original cost. Airplanes, business personal property and machinery and tools are assessed at 20% of their original cost. Farm equipment is assessed at 12% of its original cost.
- (5) Tax rate on Disabled Veteran Motor Vehicle and Handicap Vehicle changed effective on January 1, 1999
- (6) The general tax rate on boat assessments was reduced to \$.01 per \$100 on January 1, 2006.
- (7) Mobile home assessments are based on per square foot values provided by a recognized pricing guide
- (8) The direct tax rate is calculated using a formula that includes the City's actual tax rates of \$1.26 for real property and \$4.00 for personal property
- (9) The direct tax rate is calculated using a formula that includes the City's actual tax rates of \$1.21 for real property and \$4.00 for personal property
- (10) The direct tax rate is calculated using a formula that includes the City's actual tax rates of \$1.09 for real property and \$4.00 for personal property

Source: City of Chesapeake Ordinance

Table 7

CITY OF CHESAPEAKE, VIRGINIA

Principal Property Taxpayers
Last Ten Fiscal Years - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2007			Fiscal Year 2006			Fiscal Year 2005			Fiscal Year 2004		
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$629,981,255	2.85%	\$585,863,817	3.36%	\$585,382,845	3.98%	\$592,909,263	4.48%				
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	101,653,200	0.46%	100,745,600	0.58%	95,505,500	0.65%	79,498,400	0.60%				
Chesapeake Mall LLC	Shopping Mall	81,824,000	0.37%	81,482,800	0.47%	79,976,600	0.54%	79,296,100	0.60%				
Liberty Property LTD	Shopping Center & Office Bldg	73,542,100	0.33%	-	-	-	-	-	-				
Empirian Chesapeake LLC	Apartment Complex	57,363,700	0.26%	56,258,900	0.32%	-	-	-	-				
CP Venture Two LLC	Shopping Mall	51,951,200	0.24%	49,737,400	0.29%	48,721,400	0.33%	36,287,500	0.27%				
Woodlake Co Limited Partnership	Apartment Complex	48,992,300	0.22%	48,751,300	0.28%	44,346,800	0.30%	35,858,000	0.27%				
JLP Chesapeake LLC	Retail and Vacant Land	40,587,700	0.18%	37,860,700	0.22%	36,566,400	0.25%	30,121,100	0.23%				
CPRE 1 Bay LLC	Apartment Complex	35,204,300	0.16%	32,016,200	0.18%	28,129,600	0.19%	-	-				
352 Commercial	Apartment Complex	30,679,500	0.14%	-	-	-	-	-	-				
Mountain Energy	Apartment Complex	30,117,000	0.14%	-	-	-	-	-	-				
Dollar Tree Distribution Inc	Distribution Center	28,278,500	0.13%	27,545,000	0.16%	27,371,400	0.19%	26,131,000	0.20%				
Crossways Associates LLC	Office Bldgs & Shopping Center	-	-	32,382,300	0.19%	30,698,800	0.21%	48,426,200	0.37%				
Cove Land LLC	Apartment Complex	-	-	-	-	36,850,000	0.25%	-	-				
Chesapeake Center Associates	Shopping Center	-	-	-	-	-	-	25,711,400	0.19%				
Mitsubishi Kasei America Inc	Manufacturing	-	-	-	-	-	-	25,653,000	0.19%				
Wal-Mart Stores Inc	Retail and Vacant Land	-	-	-	-	-	-	-	-				
Schroder Chesapeake Ltd. Partnership	Shopping Mall	-	-	-	-	-	-	-	-				
Chesapeake - JCP Associates	Shopping Mall	-	-	-	-	-	-	-	-				
Prudential Insurance Co of America	Office Buildings & Shopping Center	-	-	-	-	-	-	-	-				
Cousins Properties Inc	Shopping Center	-	-	-	-	-	-	-	-				
Total Top Ten Principal Taxpayers		\$1,210,174,755	5.48%	\$1,052,644,017	6.05%	\$1,013,549,345	6.89%	\$979,891,963	7.40%				
Total Assessed Valuation		\$22,067,528,772		\$17,451,186,558		\$14,713,238,641		\$13,248,747,216					

Source: City of Chesapeake Commissioner of the Revenue

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 7, (Continued)

Principal Property Taxpayers
Last Ten Fiscal Years - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2003			Fiscal Year 2002			Fiscal Year 2001			Fiscal Year 2000		
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$447,062,401	3.69%	\$447,062,401	3.97%	\$474,450,339	4.50%	\$476,718,528	4.76%				
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	98,339,100	0.81%	98,676,300	0.88%	-	-	-	-				
Chesapeake Mall LLC	Shopping Mall	79,433,500	0.66%	79,296,100	0.70%	79,345,500	0.75%	-	-				
Liberty Property LTD	Shopping Center & Office Bldg	-	-	-	-	-	-	-	-				
Empirian Chesapeake LLC	Apartment Complex	-	-	-	-	-	-	-	-				
CP Venture Two LLC	Shopping Mall	56,903,600	0.47%	56,903,600	0.51%	54,648,054	0.52%	54,292,500	0.54%				
Woodlake Co Limited Partnership	Apartment Complex	32,138,000	0.27%	32,138,000	0.29%	31,330,900	0.30%	30,954,800	0.31%				
JLP Chesapeake LLC	Retail and Vacant Land	36,079,900	0.30%	-	-	-	-	-	-				
CPRE 1 Bay LLC	Apartment Complex	-	-	-	-	-	-	-	-				
352 Commercial	Apartment Complex	-	-	-	-	-	-	-	-				
Mountain Energy	Apartment Complex	-	-	-	-	-	-	-	-				
Dollar Tree Distribution Inc	Distribution Center	25,810,000	0.21%	24,847,700	0.22%	25,631,700	0.24%	25,450,900	0.25%				
Crossways Associates LLC	Office Bldgs & Shopping Center	29,515,500	0.24%	29,515,500	0.26%	28,482,000	0.27%	-	-				
Cove Land LLC	Apartment Complex	-	-	-	-	-	-	-	-				
Chesapeake Center Associates	Shopping Center	18,440,000	0.15%	18,391,500	0.16%	18,389,500	0.17%	18,009,400	0.18%				
Mitsubishi Kasei America Inc	Manufacturing	24,847,700	0.21%	25,810,000	0.23%	23,915,100	0.23%	23,759,500	0.24%				
Wal-Mart Stores Inc	Retail and Vacant Land	-	-	26,888,000	0.24%	25,777,881	0.24%	29,605,000	0.30%				
Schroder Chesapeake Ltd. Partnership	Shopping Mall	-	-	-	-	98,650,300	0.94%	94,976,600	0.95%				
Chesapeake - JCP Associates	Shopping Mall	-	-	-	-	-	-	77,060,600	0.77%				
Prudential Insurance Co of America	Office Buildings & Shopping Center	-	-	-	-	-	-	39,681,300	0.40%				
Cousins Properties Inc	Shopping Center	-	-	-	-	-	-	-	-				
Total Top Ten Principal Taxpayers		\$848,569,701	7.00%	\$839,529,101	7.45%	\$860,621,274	8.16%	\$870,509,128	8.70%				
Total Assessed Valuation		\$12,119,195,740		\$11,262,033,169		\$10,544,713,562		\$10,013,133,847					

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 7, (Continued)

Principal Property Taxpayers
Last Ten Fiscal Years - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 1999		Fiscal Year 1998	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$481,785,549	5.09%	\$472,890,908	5.23%
Greenbrier Mall Partners LP	Shopping Mall & Vacant Land	-	-	-	-
Chesapeake Mall LLC	Shopping Mall	-	-	-	-
Liberty Property LTD	Shopping Center & Office Bldg	-	-	-	-
Empirian Chesapeake LLC	Apartment Complex	-	-	-	-
CP Venture Two LLC	Shopping Mall	49,889,900	0.53%	-	-
Woodlake Co Limited Partnership	Apartment Complex	28,443,900	0.30%	27,666,200	0.31%
JLP Chesapeake LLC	Retail and Vacant Land	-	-	-	-
CPRE 1 Bay LLC	Apartment Complex	-	-	-	-
352 Commercial	Apartment Complex	-	-	-	-
Mountain Energy	Apartment Complex	-	-	-	-
Dollar Tree Distribution Inc	Distribution Center	21,579,400	0.23%	23,867,600	0.26%
Crossways Associates LLC	Office Bldgs & Shopping Center	-	-	-	-
Cove Land LLC	Apartment Complex	-	-	-	-
Chesapeake Center Associates	Shopping Center	17,748,000	0.19%	18,727,000	0.21%
Mitsubishi Kasei America Inc	Manufacturing	23,157,400	0.24%	22,425,200	0.25%
Wal-Mart Stores Inc	Retail and Vacant Land	28,533,600	0.30%	26,664,800	0.29%
Schroder Chesapeake Ltd. Partnership	Shopping Mall	84,033,600	0.89%	91,009,300	1.01%
Chesapeake - JCP Associates	Shopping Mall	65,885,400	0.70%	72,600,000	0.80%
Prudential Insurance Co of America	Office Buildings & Shopping Center	64,067,300	0.68%	59,304,200	0.66%
Cousins Properties Inc	Shopping Center	-	-	46,116,400	0.51%
Total Top Ten Principal Taxpayers		\$865,124,049	9.15%	\$861,271,608	9.53%
Total Assessed Valuation		\$9,457,465,403		\$9,040,735,075	

CITY OF CHESAPEAKE, VIRGINIA

Property Tax Levies
Last Ten Fiscal Years - Unaudited

Table 8

Fiscal Year	REAL PROPERTY (1)	PERSONAL PROPERTY (1)										
		Motor Vehicles	Motor Carriers	Recreation Vehicles	Disabled Vets (2)	Handicap Vehicle (3)	Boats (4)	Business	Mobile Homes	Machinery & Tools	Farm	Airplanes
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
2004	158,879,070	43,910,119	277,821	283,302	-	-	337,128	8,243,408	174,286	2,608,522	109,295	19,651
2005	177,090,767	49,151,769	394,098	335,302	-	-	374,285	8,789,092	184,361	2,699,724	111,666	31,450
2006	204,335,250	53,519,922	400,580	380,969	-	-	-	9,216,386	181,302	2,835,759	76,574	35,978
2007	235,211,107	54,529,778	532,659	405,623	-	-	16	9,766,342	173,849	3,006,118	120,436	37,310

- (1) Public service corporation property is not included.
- (2) In January 1999 the tax rate was reduced to \$0.01.
- (3) In January 1999 the tax rate was reduced to \$0.01.
- (4) Beginning January 1, 2006 the general tax rate on boat assessment was reduced to \$.01 per \$100

Source: City of Chesapeake Commissioner of the Revenue

CITY OF CHESAPEAKE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

Table 9

Fiscal Year	Total Tax Levy	Current Tax Collections (1)(2)(3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Total Tax Levy	Outstanding Delinquent Taxes (4)	Ratio of Delinquent Taxes to Total Tax Levy
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%
2004	225,644,477	212,646,800	94.24%	18,331,933	230,978,733	102.36%	9,127,960	4.05%
2005	250,428,244	235,274,576	93.95%	19,255,212	254,529,788	101.64%	9,574,391	3.82%
2006	281,317,257	270,230,570	96.06%	16,996,163	287,226,733	102.10%	14,349,235	5.10%
2007	313,533,474	302,736,730	96.56%	16,452,269	319,188,999	101.80%	17,610,961	5.62%

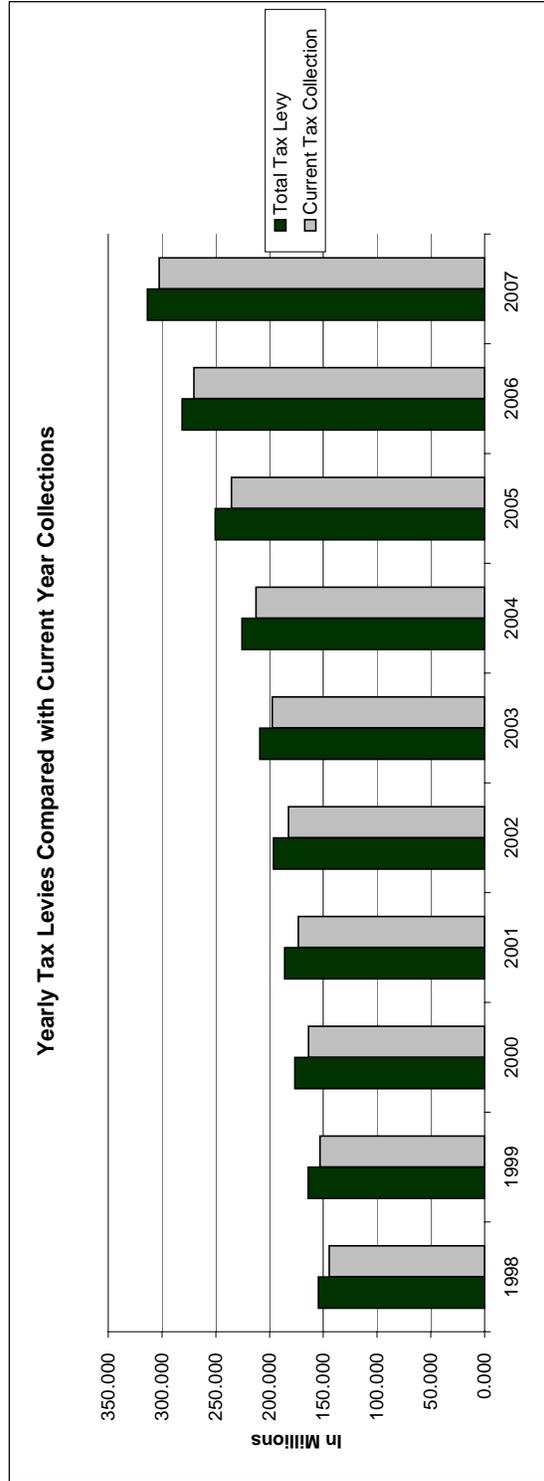
(1) Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit.

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

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

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

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

Table 10

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

Fiscal Year	Governmental Activities											Total Governmental Activities (1)
	General Obligation Bonds	School Literary Loans	Certificates of Participation	Installment Purchase Agreement	Section 108 Loans	Supplemental Payments Agreement	Capital Leases to Component Units	Capital Leases	Notes Payable			
1998	\$376,815,705	\$5,683,489	\$13,875,000	-	\$2,950,000	\$31,625,000	\$50,865,000	-	\$1,104,193			\$482,918,387
1999	392,694,070	9,224,269	12,425,000	-	2,785,000	30,920,000	48,980,000	-	952,831			497,981,170
2000	398,493,895	8,774,313	10,905,000	-	2,610,000	30,180,000	47,010,000	-	722,799			498,696,007
2001	385,511,930	8,124,820	9,305,000	-	2,425,000	29,400,000	44,945,000	265,708	522,867			480,500,325
2002	373,538,133	7,475,327	7,630,000	-	2,225,000	28,580,000	42,780,000	14,360,942	2,011,526			478,600,928
2003	375,081,773	6,825,834	5,870,000	-	2,010,000	27,720,000	40,510,000	13,185,845	193,065			471,396,517
2004	355,039,000	6,276,341	4,015,000	-	2,500,000	26,820,000	38,125,000	14,165,348	121,849			447,062,538
2005	363,966,570	5,726,848	2,060,000	-	2,255,000	25,870,000	34,335,000	12,112,890	48,578			446,374,886
2006	381,132,435	5,177,355	-	-	1,995,000	24,205,000	31,750,000	12,170,380	-			456,430,170
2007	380,587,671	4,627,862	-	1,342,284	1,715,000	23,160,000	28,915,000	12,590,549	-			452,938,366

(1) Represents net direct debt.

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 10, (Continued)

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

Fiscal Year	Business-type Activities										All Debt Per Capita (3)/(4)
	General Obligation Bonds (2)	Utility Notes Payable	Capital Leases	Revenue Bonds	Due to the Commonwealth of Virginia	Total Primary Government	Percentage of Personal Income (3)				
1998	\$85,678,742	\$6,230,614	-	\$20,806,658	-	\$595,634,401	12.61%				\$3,073
1999	83,191,197	6,738,070	-	20,445,553	-	608,355,990	12.17%				3,103
2000	81,111,624	5,076,127	1,112,644	41,276,066	43,280,590	670,553,058	12.46%				3,347
2001	78,382,922	3,384,085	5,478,288	40,651,547	70,606,557	679,003,724	11.81%				3,346
2002	76,426,363	3,449	-	40,280,000	71,281,187	666,591,927	10.91%				3,248
2003	138,200,117	808,075	-	29,395,000	70,447,794	710,247,503	10.88%				3,391
2004	133,117,323	690,000	-	29,120,000	69,964,516	679,954,377	9.90%				3,172
2005	135,351,558	575,000	-	21,630,000	71,958,461	675,889,905	9.30%				3,097
2006	130,434,187	460,000	-	21,630,000	71,078,118	680,032,475	n/a				3,113
2007	125,473,614	345,000	-	21,630,000	68,520,358	668,907,338	n/a				3,023

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

(3) See Table 19 Demographic and Economic Statistics for personal income and population data.

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

n/a - not yet available

CITY OF CHESAPEAKE, VIRGINIA

Table 11

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

Fiscal Year	General Bonded Debt Outstanding			Total	% of Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds (1)	School Literary Loans				
1998	\$ 376,815,705	\$ 5,683,489	\$	382,499,194	3.81%	\$ 1,974
1999	392,694,070	9,224,269		401,918,339	3.81%	2,050
2000	398,493,895	8,774,313		407,268,208	3.62%	2,033
2001	385,511,930	8,124,820		393,636,750	3.32%	1,940
2002	373,538,133	7,475,327		381,013,460	3.03%	1,857
2003	375,081,773	6,825,834		381,907,607	2.83%	1,823
2004	355,039,000	6,276,341		361,315,341	2.46%	1,685
2005	363,966,570	5,726,848		369,693,418	2.27%	1,694
2006	381,132,435	5,177,355		386,309,790	2.02%	1,769
2007	380,587,671	4,627,862		385,215,533	1.62%	1,741

- (1) Does not include business-type activities.
- (2) Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.
- (3) Refer to Table 12 Debt Affordability Indicators for population information.

CITY OF CHESAPEAKE, VIRGINIA

Table 12

Debt Affordability Indicators
Last Five Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000 (1).

Fiscal Year	Overall Net Debt (2)	Overall Net Debt to Assessed Value			Overall Net Debt Per Capita
		Assessed Value of Taxable Real Property (3)	of Taxable Real Property	Population (4)	
2003	\$ 471,396,517	\$ 12,119,195,740	3.89%	209,460	\$ 2,251
2004	447,062,538	13,248,747,216	3.37%	214,390	2,085
2005	446,374,886	14,713,238,641	3.03%	218,219	2,046
2006	456,430,170	17,451,186,558	2.62%	218,438	2,090
2007	452,938,366	22,067,528,772	2.05%	221,282	2,047

- (1) Policy adopted February 27, 2007.
- (2) Source: Table 10. Does not include business-type activities. Currently the City has no overlapping debt.
- (3) Source: Table 5
- (4) Population figures acquired from Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2003 - 2005) and City of Chesapeake Planning Board estimates (2006 - 2007).

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

Fiscal Year	Total General Governmental Expenditures (1)	Bonded Debt Expenditures (2)	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
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%
2004	621,319,617	43,143,614	6.94%
2005	657,971,769	42,781,735	6.50%
2006	689,369,774	43,929,646	6.37%
2007	759,523,545	47,464,752	6.25%

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

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

CITY OF CHESAPEAKE, VIRGINIA

Table 14

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

Fiscal Year	Local Revenues (1)	Bonded Debt Expenditures (2)	Ratio of Bonded Debt Expenditures To Local Revenues
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%
2004	388,086,776	56,876,709	14.66%
2005	422,035,831	56,134,812	13.30%
2006	469,471,620	57,006,066	12.14%
2007	518,706,472	60,616,238	11.69%

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

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

CITY OF CHESAPEAKE, VIRGINIA*Table 15*

Direct and Overlapping Governmental Activities Debt

June 30, 2007 - Unaudited

Jurisdiction	Debt Outstanding	Percentage Applicable To Government	Amount Applicable To Government
Direct:			
City of Chesapeake	\$ 452,938,366	100.00%	\$ 452,938,366
Overlapping:			
None	-		-
TOTAL	\$ 452,938,366		\$ 452,938,366

Table 16

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit (1)	\$ 904,073,508	\$ 945,746,540	\$ 1,001,313,385	\$ 1,054,471,356	\$ 1,126,203,317	\$ 1,211,919,574	\$ 1,324,874,722	\$ 1,471,323,864	\$ 1,745,118,656	\$ 2,206,752,877
Total net debt applicable to limit	378,495,960	403,667,612	402,518,079	380,631,488	369,487,941	431,796,488	408,131,152	419,397,742	428,638,432	416,954,338
Legal debt margin	\$ 525,577,548	\$ 542,078,928	\$ 598,795,306	\$ 673,839,868	\$ 756,715,376	\$ 780,123,086	\$ 916,743,570	\$ 1,051,926,122	\$ 1,316,480,224	\$ 1,789,798,539
Total net debt applicable to the limit as a percentage of debt limit	41.9%	42.7%	40.2%	36.1%	32.8%	35.6%	30.8%	28.5%	24.6%	18.9%

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

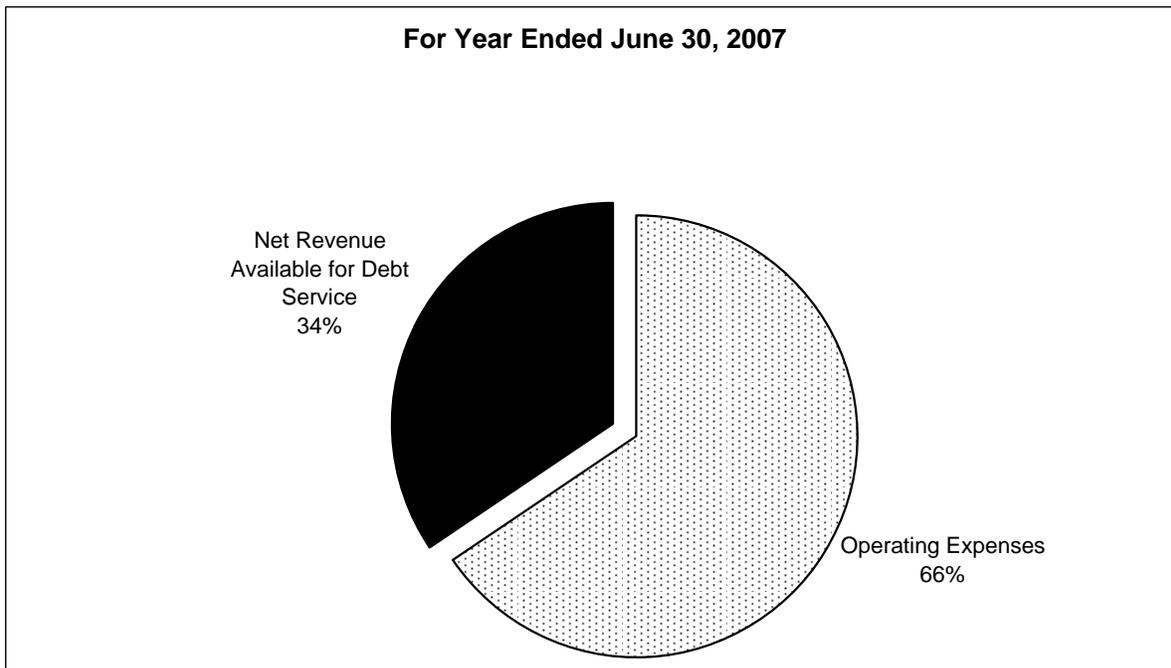
CITY OF CHESAPEAKE, VIRGINIA

Table 17

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

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	DEBT SERVICE REQUIREMENTS (3)			Coverage (4)
				Principal	Interest	Total	
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
2004	37,595,984	23,697,902	13,898,082	275,000	392,674	667,674	20.82
2005	37,354,500	25,652,449	11,702,051	193,333	190,895	384,228	30.46
2006	40,665,906	27,263,177	13,402,729	-	-	-	n/a
2007	45,444,218	29,780,532	15,663,686	-	-	-	n/a

- (1) Total Public Utilities revenues exclusive of interest and less fifty percent (50%) of connection fees.
- (2) Total Public Utilities operating expenses exclusive of depreciation.
- (3) 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. In 1995 all double barrel parity bonds were fully redeemed.
- (4) As of June 30, 2005 all revenue bonds for Public Utilities have been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. It is anticipated that future Public Utility issuances will be revenue bonds.



CITY OF CHESAPEAKE, VIRGINIA

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

Table 18

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)		Coverage
				Principal	Interest	
1998	\$26,184,412	\$16,960,139	\$9,224,273	\$1,041,240	\$4,775,072	\$5,816,312 1.59
1999	27,783,516	18,585,124	9,198,392	2,487,545	4,667,984	7,155,529 1.29
2000	26,836,455	20,353,662	6,482,793	2,079,573	4,520,782	6,600,355 0.98
2001	27,415,623	21,334,342	6,081,281	2,728,702	4,379,421	7,108,123 0.86
2002	32,748,966	23,156,628	9,592,338	2,776,559	4,127,684	6,904,243 1.39
2003	32,372,879	23,536,100	8,836,779	2,911,246	3,918,004	6,829,250 1.29
2004	37,595,984	23,697,902	13,898,082	4,372,794	6,512,557	10,885,351 1.28
2005	37,354,500	25,652,449	11,702,051	4,685,766	6,099,103	10,784,869 1.09
2006	40,665,906	27,263,177	13,402,729	4,917,371	6,046,225	10,963,596 1.22
2007	45,444,218	29,780,532	15,663,686	4,960,573	5,907,878	10,868,451 1.44

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

(2) Total Public Utilities operating expenses exclusive of depreciation.

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

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

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Income (3)	School Enrollment (4)	Chesapeake Unemployment Rate (5)	Virginia Unemployment Rate (5)
1998	193,805	\$4,723,605	\$24,373	35,877	3.0%	3.1%
1999	196,035	5,000,039	25,506	36,242	2.5%	2.7%
2000	200,362	5,379,533	26,849	36,920	2.5%	2.5%
2001	202,949	5,749,389	28,329	37,264	2.4%	2.5%
2002	205,228	6,107,527	29,760	38,010	3.5%	4.0%
2003	209,460	6,528,754	31,169	38,862	3.8%	4.2%
2004	214,390	6,871,500	32,051	39,440	3.7%	3.9%
2005	218,219	7,267,072	33,302	40,005	3.6%	3.6%
2006	218,438	n/a	n/a	40,121	3.2%	3.2%
2007	221,282	n/a	n/a	39,465	3.2%	3.0%

n/a - Information not yet available

Sources:

- (1) Bureau of Economic Analysis an agency of the U.S. Department of Commerce (1998 - 2005 restated as of March 2007) and City of Chesapeake Planning Department Estimates (2006 & 2007)
- (2) Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of March 2007)
- (3) Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of March 2007)
- (4) Chesapeake Public Schools (restated as of June 30, 2006)
- (5) U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year - restated through December 2006)

CITY OF CHESAPEAKE, VIRGINIA

Table 20

Principal Employers
Last Ten Fiscal Years - Unaudited

Principal Employers	Type of Business	Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2005		Fiscal Year 2004	
		Employees	Percent of Total City Employment						
City of Chesapeake Public Schools (1)	Government	5,719	n/a	5,083	n/a	5,012	4.19%	4,961	4.25%
City of Chesapeake (2)	Government	3,277	n/a	3,170	n/a	3,128	2.61%	3,085	2.64%
Chesapeake General Hospital	Hospital & healthcare services	n/a	n/a	2,400	n/a	2,400	2.01%	2,400	2.06%
QVC Chesapeake Inc	Phone center/order processing facility	n/a	n/a	1,276	n/a	1,276	1.07%	1,276	1.09%
HSBC - Household International	Regional processing center for financial services	n/a	n/a	1,200	n/a	1,215	1.02%	1,215	1.04%
LTD Management Co LLC Marketing	Hotel development and management	n/a	n/a	1,000	n/a	1,000	0.84%	-	0.00%
LTD Management LLC	Hotel development and management	n/a	n/a	810	n/a	810	0.68%	810	0.69%
Cox Communications	Hampton Roads head quarters/customer care center	n/a	n/a	800	n/a	800	0.67%	800	0.69%
EDS	National employee benefits administration service center	n/a	n/a	800	n/a	800	0.67%	-	0.00%
Reliance Staffing Services	Employment supply service	n/a	n/a	700	n/a	700	0.59%	600	0.51%
Lifetouch National School Studios Inc	School photography processing plant	n/a	n/a	665	n/a	665	0.56%	665	0.57%
Anteon Corporation	Engineering & Technical Services	n/a	n/a	660	n/a	-	0.00%	-	0.00%
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	n/a	n/a	660	n/a	-	0.00%	-	0.00%
HUDD Distribution Services	Logistics support	n/a	n/a	627	n/a	-	0.00%	-	0.00%
United States Coast Guard Finance Center	Financial service & Data warehousing	n/a	n/a	522	n/a	-	0.00%	-	0.00%
Sentara Home Care Services	Home care nursing	n/a	n/a	520	n/a	-	0.00%	-	0.00%
ICT Groups	Technical support center	n/a	n/a	500	n/a	500	0.42%	940	0.81%
Tower Perrin Administration Solutions	National employee benefits administration service center	n/a	n/a	-	n/a	-	0.00%	800	0.69%
MCI	Telecommunications network operator center	n/a	n/a	-	n/a	-	0.00%	-	0.00%
		8,996		21,393		18,306	15.30%	17,552	15.04%
Total Employment (3)		n/a		n/a		119,644		116,724	

n/a - not available

(1) Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

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

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

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 20, (Continued)

Principal Employers
Last Ten Fiscal Years - Unaudited

Principal Employers	Type of Business	Fiscal Year 2003			Fiscal Year 2002			Fiscal Year 2001			Fiscal Year 2000		
		Employees	Percent of Total City Employment	Percent of Total City Employment	Employees	Percent of Total City Employment	Percent of Total City Employment	Employees	Percent of Total City Employment	Percent of Total City Employment	Employees	Percent of Total City Employment	Percent of Total City Employment
City of Chesapeake Public Schools (1)	Government	4,894	4.37%	4,782	4.44%	4,656	4.30%	4,794	4.69%				
City of Chesapeake (2)	Government	3,090	2.76%	3,139	2.91%	3,048	2.81%	2,893	2.83%				
Chesapeake General Hospital	Hospital & healthcare services	2,400	2.14%	n/a	n/a	n/a	n/a	n/a	n/a				
QVC Chesapeake Inc	Phone center/order processing facility	1,276	1.14%	n/a	n/a	n/a	n/a	n/a	n/a				
HSBC - Household International	Regional processing center for financial services	1,215	1.08%	n/a	n/a	n/a	n/a	n/a	n/a				
LTD Management Co LLC Marketing	Hotel development and management	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
LTD Management LLC	Hotel development and management	590	0.53%	n/a	n/a	n/a	n/a	n/a	n/a				
Cox Communications	Hampton Roads head quarters/customer care center	500	0.45%	n/a	n/a	n/a	n/a	n/a	n/a				
EDS	National employee benefits administration service center	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
Reliance Staffing Services	Employment supply service	600	0.54%	n/a	n/a	n/a	n/a	n/a	n/a				
Lifetouch National School Studios Inc	School photography processing plant	665	0.59%	n/a	n/a	n/a	n/a	n/a	n/a				
Anteon Corporation	Engineering & Technical Services	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
HUDD Distribution Services	Logistics support	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
United States Coast Guard Finance Center	Financial service & Data warehousing	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
Sentara Home Care Services	Home care nursing	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
ICT Groups	Technical support center	-	0.00%	n/a	n/a	n/a	n/a	n/a	n/a				
Tower Perrin Administration Solutions	National employee benefits administration service center	600	0.54%	n/a	n/a	n/a	n/a	n/a	n/a				
MCI	Telecommunications network operator center	1,100	0.99%	n/a	n/a	n/a	n/a	n/a	n/a				
		16,930	15.12%	7,921	7.36%	7,704	7.11%	7,687	7.52%				
Total Employment (3)		112,058		107,692		108,357		102,182					

n/a - not available

- (1) Source is Chesapeake Public Schools Comprehensive Annual Financial Reports
- (2) Source is City of Chesapeake Comprehensive Annual Financial Reports with specific data provided by City
- (3) Source is Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of Apr

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Table 20, (Continued)

Principal Employers
Last Ten Fiscal Years - Unaudited

Principal Employers	Type of Business	Fiscal Year 1999		Fiscal Year 1998	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools (1)	Government	4,060	4.06%	3,941	4.12%
City of Chesapeake (2)	Government	2,799	2.80%	2,803	2.93%
Chesapeake General Hospital	Hospital & healthcare services	n/a	n/a	n/a	n/a
QVC Chesapeake Inc	Phone center/order processing facility	n/a	n/a	n/a	n/a
HSBC - Household International	Regional processing center for financial services	n/a	n/a	n/a	n/a
LTD Management Co LLC Marketing	Hotel development and management	n/a	n/a	n/a	n/a
LTD Management LLC	Hotel development and management	n/a	n/a	n/a	n/a
Cox Communications	Hampton Roads head quarters/customer care center	n/a	n/a	n/a	n/a
EDS	National employee benefits administration service center	n/a	n/a	n/a	n/a
Reliance Staffing Services	Employment supply service	n/a	n/a	n/a	n/a
Lifetouch National School Studios Inc	School photography processing plant	n/a	n/a	n/a	n/a
Anteon Corporation	Engineering & Technical Services	n/a	n/a	n/a	n/a
Dollar Tree Stores Inc	Corporate head quarters/distribution facility	n/a	n/a	n/a	n/a
HUDD Distribution Services	Logistics support	n/a	n/a	n/a	n/a
United States Coast Guard Finance Center	Financial service & Data warehousing	n/a	n/a	n/a	n/a
Sentara Home Care Services	Home care nursing	n/a	n/a	n/a	n/a
ICT Groups	Technical support center	n/a	n/a	n/a	n/a
Tower Perrin Administration Solutions	National employee benefits administration service center	n/a	n/a	n/a	n/a
MCI	Telecommunications network operator center	n/a	n/a	n/a	n/a
		6,859	6.86%	6,744	7.04%
Total Employment (3)		100,054		95,739	

n/a - not available

(1) Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

(2) Source is City of Chesapeake Comprehensive Annual Financial Reports with specific data provided by City

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

CITY OF CHESAPEAKE, VIRGINIA

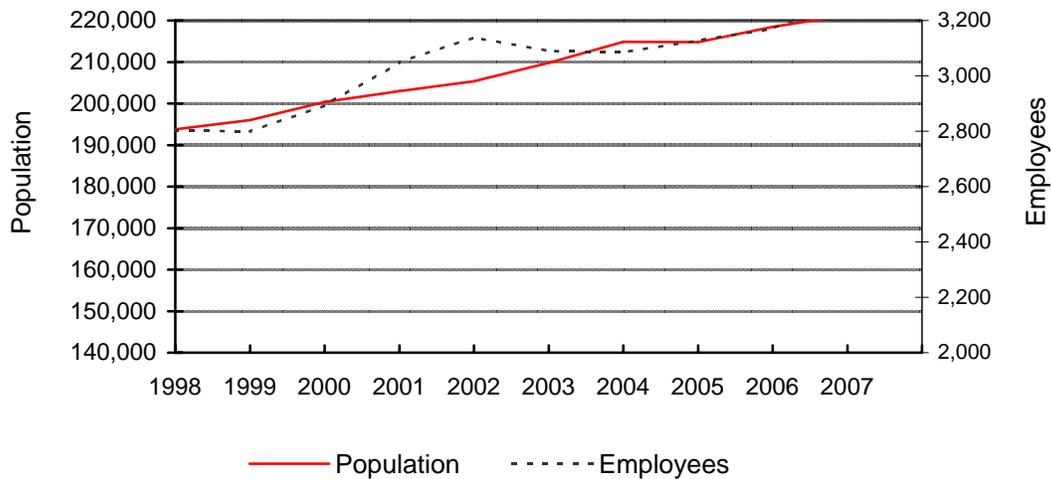
Table 21

Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population (1)	Total Employees	Employees Per 1,000 Population
1998	193,805	2,803	14.5
1999	196,035	2,799	14.3
2000	200,368	2,893	14.4
2001	203,003	3,048	15.0
2002	205,379	3,139	15.3
2003	209,831	3,090	14.7
2004	214,830	3,085	14.4
2005	214,759	3,128	14.6
2006	218,438	3,170	14.5
2007	221,282	3,277	14.8

Sources: (1) Bureau of Economic Analysis an agency of the U.S. Department of Commerce (1998 - 2004) and City of Chesapeake Planning Department (2005 - 2007)

Population and Employee Figures



CITY OF CHESAPEAKE, VIRGINIA

Table 22

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

Function/Program	Full-Time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government									40	41
Management Services									71	74
Economic Development									24	25
Finance									54	55
Information Technology									17	20
Human Resources									7	7
Budget									8	8
Agriculture									7	4
Intergovernmental Affairs									244	257
Other									507	498
Police									346	389
Sheriff									418	452
Fire									158	159
Community Services									57	59
Neighborhood Services									425	438
Public Works									77	81
Parks and Recreation									80	85
Library									195	184
Public Utilities									66	71
General Services									53	63
Justice									316	307
Health and Human Services										
Total	2,803	2,799	2,893	3,048	3,139	3,090	3,085	3,128	3,170	3,277

Source: Human Resources and prior year CAFRs

Note: Information not available by Function/Program for 1998-2005

Table 23

CITY OF CHESAPEAKE, VIRGINIA

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Building Permits Issued	8,761	7,496	7,177	6,654	6,704	6,321	6,519	6,769	6,481	5,547
Building Inspections Conducted	16,222	18,225	16,067	13,901	16,624	15,616	14,864	16,432	14,600	11,022
Electrical Permits Issued	4,415	4,679	4,552	3,700	3,960	4,093	4,483	4,996	4,775	4,156
Electrical Inspections Performed	12,806	13,330	13,130	10,278	11,751	10,688	11,520	13,462	12,260	12,636
Plumbing Permits Issued	2,391	2,503	2,296	1,751	1,823	1,913	1,925	2,420	2,280	1,898
Plumbing Inspections Performed	9,910	12,085	11,159	18,238	9,872	10,946	10,946	10,952	9,724	8,788
Mechanical/Gas Permits Issued	7,156	7,842	6,978	5,291	5,529	6,101	6,120	6,878	6,163	5,147
Mechanical/Gas Inspections Performed	15,722	16,477	15,752	12,478	12,481	14,020	14,305	17,981	18,447	12,769
Code Compliance Inspections	13,497	13,155	13,695	15,284	15,317	15,992	13,339	14,013	20,270	20,570
Police										
Calls for Police Service	133,890	138,936	145,833	147,999	155,059	156,002	151,753	135,054	131,669	126,458
Part I Law Violations	n/a	n/a	7,480	7,821	9,239	10,125	8,432	9,236	9,183	8,005
Adult Criminal Charges	n/a	n/a	14,372	13,847	15,227	14,879	14,829	12,890	10,248	n/a
Total Criminal Arrests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10,167	9,229	9,969
Total Traffic Charges (moving/ non-moving/excludes DUI)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	57,858	63,609	55,715
DUI Arrests	745	797	882	841	728	823	948	1,243	1,159	925
Fire										
Calls answered for Fire Protection Services	18,006	19,108	21,187	21,333	22,875	22,421	23,416	23,460	23,911	24,504
Public Works										
Refuse Collected (tons per day)	94,635	98,290	102,469	101,208	106,448	108,046	115,592	114,605	118,899	116,794
Street Resurfacing (miles)	74.50	74.60	55.70	66.73	92.67	67.69	56.57	47.58	44.99	54.58
Potholes Repaired	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,200	3,376
Water										
Service Connections	54,519	55,864	54,463	55,194	56,176	57,210	58,187	59,008	59,880	60,390
Daily Average Consumption in Gallons (in mgd)	14.09	14.42	14.81	15.10	15.00	15.00	15.00	16.00	16.53	16.20
Daily Average Water Provided by Chesapeake (in mgd) (1)	8.65	8.94	9.32	9.25	9.74	8.67	9.15	9.25	9.73	10.67
Daily Average Water Purchased from other localities (in mgd)	6.39	6.44	6.54	6.32	6.32	6.14	6.37	6.71	6.08	5.46
Wastewater										
Service Connections	53,315	54,602	53,429	54,223	54,297	55,361	56,340	57,160	58,046	58,579
Parks and Recreation										
Youth Athletics - Participants	16,477	11,187	10,868	11,091	10,845	10,036	9,414	9,003	8,414	7,793
Youth Athletics - Teams	1,237	836	799	812	799	772	715	695	648	601
Youth Athletics - Coaches	2,994	1,677	1,549	1,666	1,675	1,481	1,345	1,353	1,359	1,200
Adult Athletics - Participants	5,250	4,824	4,576	4,904	4,554	3,890	3,544	4,180	4,445	4,064
Adult Athletics - Teams	297	275	260	276	256	219	199	236	235	228
Special Programs Athletics - Participants	n/a	n/a	597	662	621	491	510	1,065	818	627
Special Programs Athletics - Programs	n/a	n/a	10	11	10	11	10	11	9	10
Leisure Classes - Youth Participants	n/a	n/a	n/a	2,668	2,224	1,915	2,174	2,104	2,073	1,908
Leisure Classes - Adult Participants	n/a	n/a	n/a	1,310	1,432	1,085	1,246	1,258	779	769
Leisure Classes - Community Program Participants	n/a	n/a	n/a	1,298	34,005	33,560	44,151	47,268	42,623	45,247
Leisure Classes - Special Event Attendance	n/a	n/a	n/a	27,850	32,850	28,250	29,200	34,900	34,250	31,750
Community Center Attendance	155,965	162,537	152,552	163,939	154,995	164,818	n/a	173,191	199,587	172,544
Community Center ID Sales	8,275	8,028	7,575	8,575	7,937	8,582	n/a	10,147	8,974	9,528
Community Center Rentals	1,740	1,971	2,098	2,116	2,192	1,848	n/a	1,607	1,769	1,392

(Continued)

Table 23 (Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Operating Indicators by Function/Program
 Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Library	2,054,445	1,577,862	1,533,411	1,615,250	1,721,960	1,623,957	1,781,996	1,890,069	1,956,559	1,912,077
Items Checked Out	520	687	798	826	797	871	906	910	1,072	974
Inerlibrary Loans - Borrowed	3,130	2,644	2,925	3,003	2,654	2,380	2,452	2,591	2,696	2,146
Inerlibrary Loans - Loans	617,107	646,751	669,073	684,188	664,330	637,065	646,189	678,422	677,933	691,482
Library Collection	1,293,198	1,171,122	1,103,002	1,126,717	1,162,439	1,160,061	1,125,096	1,349,598	1,589,297	1,622,831
Patron Visits	n/a	n/a	26,187	291,000	321,000	353,100	n/a	520,208	692,305	654,106
Website Visits	108,844	127,227	142,943	160,030	179,421	195,481	163,089	182,623	188,999	207,190
Registered Patrons	1,725	1,734	1,502	1,875	2,154	2,446	2,316	2,418	2,417	2,541
Total Programming	50,623	43,438	48,311	57,864	65,645	71,745	67,858	73,708	70,343	96,476
Total Programming - Participants	4,195	3,621	2,497	2,848	1,864	1,592	1,443	925	774	471
Typewriter Use	55,855	74,586	95,963	126,136	172,727	191,387	222,471	407,157	517,870	600,024
Public Computer Use	11,589	13,051	11,560	12,656	12,293	13,093	15,514	14,597	12,761	15,516
Bookmobile - Patrons	1,157	1,237	1,097	1,182	1,323	1,312	1,453	1,380	1,201	1,307
Bookmobile - Number of Stops	6,299	6,362	5,488	5,900	6,520	6,609	7,266	7,078	6,364	7,811
Bookmobile - Miles Driven										
Schools										
Student Enrollment	35,877	36,242	36,920	37,264	38,010	38,862	39,440	40,005	40,121	39,465

Source: Various City Departments

n/a - Information not available

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

CITY OF CHESAPEAKE, VIRGINIA

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

Table 24

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police Stations	4	4	4	5	5	5	5	5	5	5
Patrol Units	283	302	296	303	301	214	231	208	194	214
Fire Stations	14	14	14	15	15	15	15	15	15	15
Public Works										
Refuse Collection	n/a	n/a	n/a	58	58	58	58	58	58	60
Collection Trucks										
Other Public Works	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,100	1,100
Storm Sewers (miles)	1,957	2,014	2,046	2,106	2,150	2,185	2,222	2,257	2,310	2,314
Streets (miles)	19,385	19,615	20,078	20,839	22,423	21,446	21,266	21,745	22,023	22,287
Streetlights										
Parks and Recreation										
Park Acreage	1,858	2,013	2,084	2,067	1,992	2,042	2,042	2,043	2,066	2,066
Parks and Play Areas	51	55	62	68	63	65	65	67	64	66
Athletic Fields/Tennis Courts	145	145	196	211	211	211	211	211	211	200
Community Centers	7	7	7	7	7	7	7	7	7	8
Specialized Centers	4	4	4	4	4	4	4	4	4	4
Water										
Water Mains (miles)	714.82	725.74	734.81	742.27	749.00	761.00	772.00	786.00	795.00	804.00
Fire Hydrants	4,032	4,100	4,165	4,221	4,268	4,358	4,432	4,522	4,608	4,681
Wastewater										
Sanitary Sewers (miles)	902.58	918.49	928.55	938.41	950.00	968.00	982.00	1,003.00	1,018.66	1,033.90
Sewage Pumping Stations	234	236	238	240	243	248	248	253	255	259
Schools										
Elementary Schools	27	28	28	28	28	28	28	28	28	28
Secondary Schools	14	14	14	15	16	16	16	16	16	16
Educational Centers	3	3	3	3	3	3	3	3	3	3

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

COMPLIANCE SECTION



CITY OF CHESAPEAKE, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Schedule U-1

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
Department of Agriculture:		
Direct payments:		
National School Breakfast and Lunch Programs		
Fiscal year 2005	10.553	1,656
Fiscal year 2006	10.553	144,227
Fiscal year 2007	10.553	29,934
Pass-through payments:		
Virginia Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,613,104
Virginia Department of Education:		
School Breakfast Program	10.553	1,060,360
National School Lunch Program	10.555	3,599,973
Virginia Department of Agriculture and Consumer Services		
Food Distribution - commodities value - Schools' Food Services	10.555	588,439
Food Distribution - commodities value - Detention Home	10.555	6,403
Food Distribution - commodities value - Parks and Recreation Summer Feeding Program	10.559	846
		7,044,942
National Endowment for the Arts		
Direct Payments		
Challenge America	45.024	5,500
Department of Forestry:		
Pass-through payments:		
Virginia Department of Forestry	10.664	4,000
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grant Program		
Program Year 1998	14.218	25,263
Program Year 2003	14.218	16,421
Program Year 2004	14.218	13,219
Program Year 2005	14.218	25,008
Program Year 2006	14.218	23,894
Program Year 2007	14.218	593,955
Section 108 Loan Program 2007	14.248	395,808
Portlock Area Drainage	14.228	23,079
Shelter Plus / McKinney-Vento Act	14.238	20,545
HOME Investment Partnerships Program		
Program Year 2001	14.239	27,511
Program Year 2002	14.239	86,061
Program Year 2003	14.239	418,334
Program Year 2004	14.239	71,550
Program Year 2005	14.239	88,786
Program Year 2007	14.239	89,646
Brownfields Economic Development Initiative	14.246	53,068
		1,972,148
Department of Health and Human Services:		
Direct payments:		
Medical Reserve Corp		
Fiscal year 2005	93.008	35
Fiscal year 2006	93.008	25,119
Pass-through payments:		
Department of Mental Health, Mental Retardation and Substance Abuse:		
Block Grants for Community Mental Health Services	93.958	167,874
Block Grants for Prevention and Treatment of Substance Abuse	93.959	875,808

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
Department of Health and Human Services (Continued):		
Pass-through payments (Continued):		
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	173,101
Temporary Assistance for Needy Families:	93.558	1,163,655
Refugee and Entrant Assistance - State Administered Program	93.566	1,168
Low Income Home Energy Assistance	93.568	42,634
Payments to States for Child Care Assistance	93.575	928,387
Child Care & Development Fund	93.596	1,582,079
Educational & Training Vouchers	93.599	2,207
Adoption Incentive	93.603	14,084
Allocated Service	93.645	518
Foster Care-Title IV-E	93.658	1,455,539
Adoption Assistance	93.659	341,258
Social Services Block Grant	93.667	1,077,703
Independent Living	93.674	5,725
Medical Assistance Program (Medicaid: Title XIX)	93.778	1,036,096
State Children's Insurance Program	93.767	2,243
State-wide Fraud Program - Free	93.000	45,993
Virginia Department of Education		
Medical Assistance Program (Medicaid: Title XIX)	93.778	69,823
		9,011,049
Department of the Interior:		
Direct payments:		
Gateway Grants	15.000	45,649
U.S. Fish and Wildlife Service - Back Bay Grants	15.614	23,417
U.S. Fish and Wildlife Service - Refuge Revenue Sharing Ac	15.226	53,639
		122,705
Department of Justice:		
Direct payments:		
Drug Control and System Improvement -		
Forfeited Asset Sharing Program - Drug Enforcemen	16.579	152,089
Local Law Enforcement Block Grant	16.592	1,025
Office of Community Oriented Policing Services - Public Safety -		
Partnership and Community Policing Grants		
Fiscal year 2004	16.710	426,429
Fiscal Years 2005 - 2007	16.710	54
Pass-through payments:		
Bureau of Justice Assistance:		
Juvenile Account Incentive Block Gran		
Fiscal year 2005	16.523	3,736
Fiscal year 2006	16.523	53,386
Fiscal year 2007	16.523	26,445
Edward Byrne Grant Program		
Fiscal Year 2005	16.580	577
Fiscal Year 2007	16.579	25,462
		689,203
Environmental Protection Agency		
Direct payment:		
Chesapeake Integrated Pest Management Initiative	66.716	12,228

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
U.S. Department of Transportation:		
Pass-through payments:		
Department of Motor Vehicles - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		
Fiscal year 2006	20.600	11,921
Fiscal year 2007	20.600	16,241
Federal Highway Administration - Planning and Constructior		
Route 104 Steel Bridge	20.205	714,886
Poindexter	20.205	6,412
Gum Road Multi Use Path	20.205	63,803
Portsmouth Blvd Phase IV	20.205	123,787
Greenbrier Pkwy Interchange	20.205	57,434
Military Accel @ Bainbridge	20.205	246,754
Military @ Smith Ave	20.205	12,298
Signal System Upgrade	20.205	11,742
Hanbury/Battlefield Interchange	20.205	24,116
Battlefield Vistor Center	20.205	89,708
Virginia Department of Emergency Management		
Hazardous Materials Emergency Preparedness	20.703	17,943
Pre-Disaster Mitigation Grant (All Hazards Mitigation Plan)	97.047	51,482
Hazard Mitigation Grant Program	83.580	198,192
		1,646,719
Federal Emergency Management		
Department of Defense:		
Pass-through payments:		
Department of Education		
Payments to States in Lieu of Real Estate Taxes	12.112	60,188
		60,188
Department of Education:		
Direct payments:		
Impact Aid	84.041	3,363,741
Pass-through payments:		
Virginia Department of Education:		
Adult Education - State Grant Program	84.002	227,045
Title I, Part D - Program for Neglected & Delinquent Childrer	84.013	76,837
Title I Grants to Local Educational Agencies	84.010	5,633,270
Title V, Part A - State Grants for Innovative Programs	84.298	56,906
Special Education - Grants to States	84.027	7,943,352
Special Education - Preschool Grants	84.173	144,721
Title II, Part A - Improving Teacher Quality State Grant	84.367	1,386,652
Vocational Education - Basic Grants to States	84.048	583,243
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	178,285
Title III, Part A - English Language Acquisition Grant	84.365	40,898
Title II, Part D - Enhancing Education Through Technology Program	84.318	21,015
Advanced Placement Program	84.330	1,716
Part C Funds	84.181	186,590
Tidewater Community College		
Tech Prep Education	84.243	2,000
		19,846,271

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalogue Number	Expenditures
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters	97.044	139,875
Pass-through payments:		
Virginia Department of Emergency Management:		
State Domestic Preparedness Equipment Support Program	97.004	617,767
FEMA Hazard Mitigation Program Quick Connect	97.039	27,943
		<u>785,585</u>
Corporation for National and Community Service:		
Pass-through payments:		
Virginia Department of Education:		
Learn and Serve America - School and Community-Based Programs	94.004	5,094
		<u>5,094</u>
Department of Commerce/National Oceanic and Atmospheric Administration:		
Pass-through payments:		
Virginia Department of Environmental Quality:		
Chesapeake Bay Studies	11.457	6,493
		<u>6,493</u>
		<u>\$41,212,125</u>

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

(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	\$ 83,339
Capital Projects Fund	1,535,420
Special Revenue Funds:	
Virginia Public Assistance Fund	9,398,611
Community Services Fund	1,230,272
Community Development Fund	1,888,173
Grants Fund	2,077,281
<u> Total primary government</u>	<u>16,213,096</u>
Component unit - Public Schools:	
School Operating Fund	19,765,391
School Food Services Fund	5,255,175
<u> Total component unit - Public Schools</u>	<u>25,020,566</u>
<u> Total federal expenditures from intergovernmental revenue</u>	<u>41,233,662</u>
Other reconciling items	(21,537)
<u> Total federal expenditures per the Schedule of</u>	
<u> Expenditures of Federal Awards</u>	<u>\$ 41,212,125</u>

(Continued)

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

(4) Subrecipients

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

The Planning Council is the subrecipient for \$1,582,079 related to the Child Care Development Fund received from the Department of Social Services.

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2007

(1) Summary of Auditor's Results

- (a) The type of report issued on the general purpose financial statements: **unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **none noted**
Material weaknesses: **no**
- (c) Noncompliance which is material to the general purpose financial statements: **no**
- (d) Significant deficiencies in internal control over major programs: **yes, 07-1, 07-2**
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:
 - Child Nutrition Cluster: CFDA 10.553, 10.555 and 10.559**
 - Community Development Block Program: CFDA 14.218**
 - Impact Aid: CFDA 84.041**
 - Improving Teacher Quality: CFDA 84.367**
 - Federal Highway Administration – Planning and Construction: CFDA 20.205**
- (h) Dollar threshold used to determine Type A programs: **\$1,236,364**
- (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

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2007

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

Housing and Urban Development

Community Development Block Grant (CDBG); CFDA No. 14.218, B-06-MC-51-0010; Program Year 32

Finding 07-1: Significant Deficiency – Time and Effort Certifications

Criteria:

OMB Circular A-87 (2 CFR Part 225) requires that time and effort certifications be performed based on whether the employee is expected to work solely on a single Federal award or on multiple activities.

Where employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certifications (at least semi-annually) that the employees worked solely on that program for the period covered by the certification. The certifications must be signed by the employee or a supervisory official having first hand knowledge of the work performed by the employee.

Where employees work on multiple activities, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which reflect an after-the-fact distribution of actual activity for which each employee is compensated, will account for the total activity for which each employee is compensated, will be prepared at least monthly and coincide with at least one or more pay periods, and will be signed by the employee.

Condition Found and Perspective:

KPMG noted that the time and effort certifications were completed for semi-annual periods and were signed by the supervisor for two CDBG funded positions; however, the certification did not identify who the employees were on the certification. In addition, the certification for the first half of fiscal 2007 was not prepared until May, 2007.

Questioned Costs:

There are no questioned costs associated with this finding.

(Continued)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2007

Possible Asserted Cause and Effect:

This finding was the result of management of this department misunderstanding the requirements for completing and filing personnel activity reports. As a result, the reports were not filed correctly or timely and were not complete.

Recommendation:

We recommend that the City strengthen the processes and controls to help ensure that payroll charges are supported by personnel activity reports that meet the criteria outlined in Circular A-87. The City should consider appointing an individual to take responsibility for monitoring compliance at the departmental level with time and effort certification requirements.

Views of Responsible Officials:

Management agrees with this finding. The City will implement procedures to ensure timely completion, approval and monitoring of the time and effort certifications for the CDBG program. The City's Office of Housing will be responsible for monitoring compliance by the departments.

Finding 07-2: Significant Deficiency, Earmarking

Criteria:

The amount of CDBG funds obligated during the program year for public services must not exceed 15% of the grant amount received for that year plus 15% of the program income the City received during the preceding program year, in accordance with 24CFR Section 570.201(e).

Condition Found:

The funds obligated during program year 2007 for public services represented 15.54% of the grant amount received for that year plus 15% of the preceding program year's program income.

Questioned Costs:

Questioned costs associated with this finding are \$6,974.

Perspective:

The questioned costs noted above represent 100% of the questioned costs as this is an annual calculation.

(Continued)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2007

Possible Asserted Cause and Effect:

A lack of monitoring of the expenditures in the public services category resulted in the overage of public service expenditures. As a result, federal funds were spent in excess of the threshold for public services.

Recommendation:

KPMG recommends the City implement procedures to monitor the level of expenditures related to CDBG public services so that they do not exceed the established threshold of 15% during the fiscal year.

Views of Responsible Officials:

Management agrees with the finding. The Housing Office will perform quarterly monitoring of CDBG activities in which program income is anticipated. We will follow-up with sub recipients on progress and problems encountered. Quarterly Reports will be revised. A program income received and progress or problems encountered section will be added. Future planning/ administrative calculation will be computed at 19 per cent in the formula and the Public Service calculation will be computed at 14 per cent in the formula.

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

Virginia Department of Transportation

Urban Street Maintenance Program

State Finding 07-1: Reconciliation of Financial Survey to the General Ledger

In accordance with the Auditor of Public Accounts *Audit Specifications for Counties, Cities and Towns*, Chapter 3 Section 13, local governments receiving street maintenance funds must submit an annual Weldon Cooper Center Local Finance Survey (Survey) 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. It was noted that the reconciliation for the year ended June 30, 2006 indicated that expenditures in the general ledger were \$506,242 more than those reported on the annual Survey. The difference is attributable to differences in the bases upon which each report is prepared. Currently, the City reconciles the total reported expenditures on the Survey to those 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 from

(Continued)

CITY OF CHESAPEAKE

Schedule of Findings, Questioned Costs, and Management's Response
Year Ended June 30, 2007

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 Survey and the City should also ensure that any differences between the general ledger and the Survey are resolved in a timely manner.

Child Welfare Program

State Finding 07-2: Food Stamp Employment and Training (FSET)

The City's Social Services Department operates a Food Stamp Employment and Training (FSET) program. FSET expenditures are reported in the LASER reporting system and must be reconciled to ensure that expenditures are captured in the proper federal reporting category. In performing our FSET audit procedures, we noted one instance where FSET expenditures in the amount of \$13,955 were incorrectly reported as administrative expenditures rather than child care expenditures due to an error in account coding in the LASER system. We recommend that the Social Services department implement review procedures that provide a greater level of assurance over the accuracy of account coding than those procedures currently in practice.



KPMG LLP
2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Audit Standards***

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, 2007, and have issued our report thereon dated December 13, 2007. Our report included a reference to other auditors. 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. Other auditors audited the financial statements of the City of Chesapeake Economic Development Authority and the Chesapeake Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financing Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated December 13, 2007.

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

December 13, 2007



KPMG LLP
2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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

December 13, 2007



KPMG LLP
2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

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, 2007, and have issued our report thereon dated December 13, 2007. Our report included a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Economic Development Authority or the Chesapeake Airport Authority, which represent 20% and 2%, 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 Economic Development Authority or the Chesapeake Airport Authority, is based on the reports of 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
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property

State Agency Requirements

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

The results of our tests discovered three instances of noncompliance with those requirements that are required to be reported in accordance with the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying schedule of findings and questioned costs as state findings 07-1 and 07-2.

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

KPMG LLP

December 13, 2007