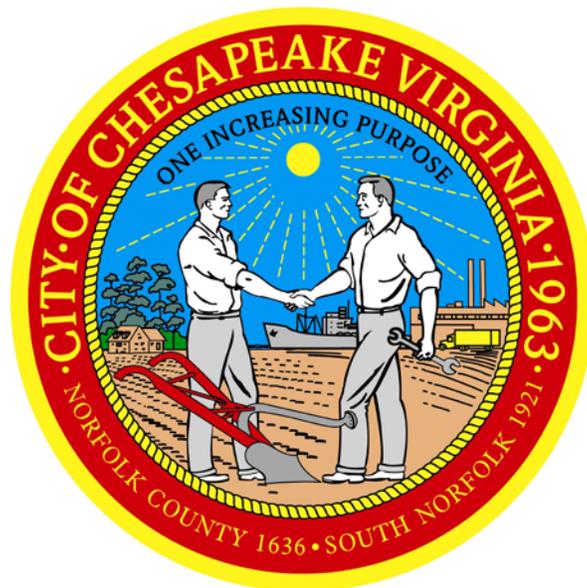


City of Chesapeake, Virginia



*Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2016*

Comprehensive Annual
Financial Report
of the
City of Chesapeake, Virginia
for Fiscal Year Ended
June 30, 2016



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

City of Chesapeake, Virginia

Mission

The employees of the City of Chesapeake are committed to providing quality service to all Citizens equitably, in a responsive and caring manner.

Code of Ethics

We, the employees of the City of Chesapeake, are committed to the highest standards of ethical conduct that reflect:
Responsibility, Honesty, Respect, Fairness, Compassion, Integrity and Loyalty

Acknowledgments...

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance and various departments who have been assisted by the independent auditors, Cherry Bekaert LLP. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Chesapeake.

The following Finance employees were instrumental in the preparation of this report:

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Mary Anna Twisdale
Subhashree Venkatasubramanian
Tamara Walters
Katherine Williams

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

Please visit us at: www.cityofchesapeake.net

CITY OF CHESAPEAKE, VIRGINIA

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Chesapeake
VIRGINIA

INTRODUCTORY SECTION

Chesapeake
VIRGINIA

December 13, 2016

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, 2016, is hereby submitted. The financial statements included in this report conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the Report of Independent Auditor and provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Reporting Entity and Its Services

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

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

In accordance with the requirements of GASB, the financial reporting entity consists of the Primary Government (the City of Chesapeake), as well as its component units, which are legally separate organizations for which the City Council is financially accountable. Financial accountability was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations and accountability for fiscal matters. Component units are discretely presented and are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the Primary Government and to differentiate their financial position and results of operations from those of the Primary Government. Discretely presented component units qualifying for inclusion in this report are Chesapeake Public Schools, Chesapeake Mosquito Control Commission, Economic Development Authority of the City of Chesapeake (the EDA, formerly known as the Industrial Development Authority), Chesapeake Port Authority, Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc. The activities of one component unit, CSB of Chesapeake, Inc. (CSBC, Inc.), are considered to be so intertwined with the City's activities that they are in substance part of the City's operations. Therefore, CSBC, Inc. is blended with the City's governmental activities. The Other Postemployment Benefits Trust Fund is where the City accounts for the costs of future benefits that are promised to City employees after retirement in the form primarily of retiree health insurance benefits. This fiduciary-type component unit is included within the fiduciary fund financial statements.

The City provides a full range of general governmental services for its citizens. These services include law enforcement, emergency medical response, fire protection, collection and disposal of solid waste, water and sewer utility services, stormwater utility services, parks and recreation, libraries and the 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. There are no overlapping jurisdictions and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation.

Economic Condition and Outlook

This is the sixth consecutive calendar year of sales tax revenue growth for the City. The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2015 increased \$103.9 million or 3.2% from \$3.239 billion in 2014 to \$3.343 billion.

Unemployment for the City and State remains below the national rate. For the fiscal year ended June 30, 2016, the average unemployment rates were 4.3% for Chesapeake (a decline from the prior year's average unemployment rate of 5.0%), 4.5% for the region and 4.0% for the State, compared to 5.1% for the United States.

The Chesapeake Economic Development Department's 2016 Annual Report (highlighting 2015 business announcements and job creation) noted the following accomplishments:

- Investment in Chesapeake totaled \$179.0 million during 2015 (a 17.3% increase from 2014) and with that came the creation of 1,800 new jobs (an increase of 54.6% from 2014).
- UVA's Weldon Cooper Center for Public Service also determined Chesapeake is the fastest growing city in Hampton Roads by population over the past 5 years.
- Oceaneering International Inc. Marine Services Division opened in Chesapeake's Greenbrier North Commerce Park investing \$33.0 million, retaining 460 existing jobs and creating 70 new jobs.
- INIT Inc. announced it would be expanding operations in Chesapeake by building a new 70,000 square foot manufacturing facility, investing nearly \$13.0 million and establishing Chesapeake as its North American Headquarters.
- WalletHub named Chesapeake #10 among America's Hardest Working Cities and also named Chesapeake to its Top 40 list of Best Cities for Veterans.
- Hoffman Beverage approved an \$18.0 million dollar warehouse expansion that will create 148 new jobs.
- Sonny Merryman extended its presence in Hampton Roads with the construction of a \$5.0 million, 37,000 sq. ft. bus service facility located in Chesapeake's Cavalier Industrial Park. Sonny Merryman, Inc. is Virginia's leading school, transit and commercial bus dealer. A ribbon cutting ceremony was held May 2016.
- Sports Medicine and Orthopedic Center Inc. (SMOC) announced development of its new Chesapeake office which will encompass a 24,000 sq. ft. building. Serving southeastern Virginia for more than 25 years, the state-of-the-art Center will accommodate orthopedic, spine, pain management and physical therapy practices. A grand opening and open house was held Oct. 2016.

- In August 2016, Dollar Tree formally announced the expansion of its corporate headquarters, which includes a \$110.0 million expansion to its headquarters in Greenbrier, the addition of 600 new jobs and retention of 825 jobs.

Chesapeake's General Obligation bonds continue to hold a AAA rating, the highest bond rating available, from Fitch Ratings and Standard & Poor's Ratings Services and a Aa1 rating from Moody's Investors Service.

Major Initiatives

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

During fiscal year 2016, the City achieved the following accomplishments:

- Strong financial performance resulted from continued cost containment and the careful management of resources. Specifically, General Fund expenditures, encumbrances and other financing uses of \$514,592,781 were \$27,547,764 or 5.1% below the revised budget. Total General Fund revenues and other financing sources of \$539,978,209 exceeded budget by \$9,993,395 or 1.9%.
- In mid-November 2015, the new Gilmerton Bridge opened following four years of construction. The \$134.0 million project accommodates future widening of Military Highway from four lanes to six. Virginia Department of Transportation constructed the 85 foot wide replacement while remaining open to vehicular traffic during the daytime hours.
- The City's Operating and Capital budgets adopted by City Council preserved core services and included no tax increases.
- The City continued construction of the Dominion Boulevard Improvement Project, which includes building a 95-foot-high, fixed span four-lane replacement for the fifty-year-old Steel Bridge. The project has an anticipated completion date of December 2016; however, it has been partially open for traffic since December 2014.
- The City continued its partnership with the U.S. Navy to acquire property interests under multi-year encroachment protection agreements for the Naval Auxiliary Landing Field (NALF) Fentress and Naval Support Activity Norfolk Northwest Annex. Under these agreements, the Navy agrees to reimburse the City half of the purchase price of the property in exchange for a conservation easement. These purchases bolster the City's support of each installation's mission and furthers its commitment to environmental stewardship. Acquisition of properties in these areas also adds to the network of conservation lands in southern Chesapeake. In fiscal year 2016, the City purchased the Hochstetler property (\$750,000), Great Bridge Storage (\$1,350,000) and the VanLuik property (\$940,000).
- The City receives the Community Development Block Grant (CDBG) and HOME entitlement funds annually to carry out community development activities including residential rehabilitation, affordable housing development, code enforcement, public facility improvements, public services, employment training and youth development. The combined 2016 allocation was \$1,381,030.
- The Planning Department continues to administer the City's Neighborhood Stabilization Program (NSP). To date, using a portion of \$586,031 in NSP program income, two single family residential properties were acquired, redeveloped and transferred to eligible first time homebuyers. Remaining funds will be used to acquire one additional property.
- To improve access to government services and programs, the City implemented an electronic development permitting software system known as eBuild, which allows many business transactions to occur online and allows stakeholders to track their projects without physically visiting City Hall.

For the Future:

- Chesapeake's future as a desirable community in which to live and work continues to show promise and opportunity. Its central location, availability of land and good transportation network 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 97,963 in 2000 to 116,341 in 2015 per the Virginia Employment Commission, an increase of 18.8% over the period. Median household income has risen from \$50,743 in 2000 to \$70,176 in 2015, per the U.S. Census Bureau.
- The City continues its efforts to manage growth to achieve a balance between employment opportunities, an expanding tax base, housing that meets the needs of a diverse population and a healthy natural environment. The City plans to continue to make the best use of land resources and infrastructure so that growth will include revitalization and redevelopment, as well as development of new areas in a manner that will preserve rural, historic and environmental assets. Such efforts have helped to better manage the City's annual growth rate from an average of 3.2% between 1985 and 1995, to an average annual growth rate of roughly 1.0% since 2001. According to projections from the Hampton Roads Planning District Commission, Chesapeake's total population in 2040 will be approximately 314,600. Additionally, total households are projected to be 114,300, while total employment will be 167,000. This yields 1.46 jobs per household, which is considered to be a sustainable balance.
- The City has identified the Dominion Boulevard Corridor (U.S. Route 17 South) as a key strategic area for Chesapeake. In light of emerging development demand, associated with the Dominion Boulevard Bridge and Roadway Improvement Project that will be completed in fiscal year 2017, the City enlisted Design Workshop in February 2014 to prepare a physical development plan, as well as a strategy to maximize the economic potential of the study area. It has been recognized for several years that this corridor has tremendous future growth potential, particularly as a regional commercial destination and employment center. This is due partly to the mixed-use land classifications established under the 2026 Land Use Plan in 2005, but also because of the approved Dominion Boulevard widening and high-rise bridge project currently under construction. The opening of Grassfield High School, creation of the Dominion Commerce Park and Dominion Commons shopping center, new residential developments and expansion of Tidewater Community College's Chesapeake Campus in recent years is setting the stage for this area to emulate the success of Greenbrier, one of the largest commercial hubs in the region. The study is the first market based economic development strategic land use plan for the City of Chesapeake. The market analysis stated that the Dominion Corridor Area could be a regional economic development core if developed correctly. During the study process, staff interviewed key local, regional and state stakeholders and held three rounds of public meetings. As the process moved forward, staff also analyzed the draft recommendations to confirm it is fiscally positive for the city. The plan was approved by the Planning Commission on October 28, 2015 and recommend to City Council for final consideration. The document was review by City Council and approved on November 15, 2016.
- City Staff continues to plan for and implement key catalyst activities for revitalization in South Norfolk, including reallocating Tax Increment Financing (TIF) Funds authorized for use in the South Norfolk TIF District. In the past year, the City Council has authorized the following activities: \$50,000 for a study of the feasible uses for property to be freed up by the 22nd Street Bridge replacement and relocation project; \$125,000 for a highest-and-best-use study of municipal properties in the Poindexter and Liberty Street corridors; and \$1.0 million for strategic residential property acquisition in the district. City Council further specified that funds could be used for acquisition of legal, non-conforming residential properties in the South Hill neighborhood, as well as authorizing transition assistance for affected residents. An internal City staff steering committee is working to acquire properties on a voluntary basis.

- The City will continue its mission of protecting and preserving Chesapeake's unique environmental assets for future generations through the Open Space and Agriculture Preservation (OSAP) Program, as well as its partnership with the U.S. Navy under the Readiness and Environmental Protection Initiative (REPI). The City anticipates closing on the fee simple purchase of four parcels of land totaling roughly 291 acres and valued at \$1,338,114 surrounding the Naval Support Activity-Hampton Roads Northwest Annex, followed by sale of restrictive easements over the acquired parcels to the U.S. Navy. The City also anticipates applying for matching grant funds from the Virginia Department of Agriculture for Purchase of Development Rights activities.
- In 2014 the City established the NALF Fentress Encroachment Protection Acquisition Program. This program is to prevent incompatible land uses from encroachment within the Fentress Airfield Overlay District and is being funded by both the Commonwealth of Virginia and the City of Chesapeake. Under the NALF Fentress Encroachment Protection Acquisition Program, the City will be acquiring properties fee-simple or through a conservation easement over the properties. To date, the City has four properties, through two rounds of applications. A total of 107.5 acres of land has been acquired and the City is evaluating several more parcels for possible acquisition. The Fentress Acquisition program receives funding assistance from the Commonwealth of Virginia's Federal Action Contingency Trust (FACT).
- Construction continues on several of the Planned Unit Developments in the City, including the residential component of the Gateway at SoNo, Culpepper Landing and Edinburgh as well as commercial construction at Edinburgh. During calendar years 2015 and 2016 there have been several large residential developments proposed that include single family homes, condos and apartments.

Financial Information

Financial Information and Significant Financial Policies

The keystone to the City's ability to maintain its fiscal responsibility is the continuing dedication of the City Council, which is evidenced by the City Council's adoption of sound financial policies that are contained in City publications such as the Annual Operating Budget and Five Year Capital Improvement Plan documents. These policies relate primarily to the integration of capital planning, debt capacity and planning, cash management and operational efficiencies as a means of ensuring prudent and responsible allocation of the City's resources. From time to time, the City Council evaluates these policies and makes amendments as needed to address the changing economic conditions and management practices. In addition, City Council annually adopts tenets for budgetary development which serve to guide the City in adhering to a fiscally conservative budget preparation methodology.

Minimum Fund Balance Policy. City Council adopted a resolution effective July 1, 2014, to maintain an Unassigned Fund Balance in the General Fund at a minimum of 10.0% of the General Fund Revenues and Tax Revenues Committed to Special Revenue Funds, including Tax Increment Financing Funds. City Council plans to budget for a 12.0% year-end unassigned fund balance to ensure compliance. In the event that the Unassigned Fund Balance shall fall below 10.0% due to unexpected operating emergencies or emergency event response, the City shall develop a plan to replenish the balance to 10.0% within three years. Funds in excess of 10.0% may be retained in the Unassigned General Fund Balance, or may be designated as Committed for capital projects, or other non-recurring expenditure requirements or high priority needs. This policy is in addition to the 6.0% of General Fund revenue restricted for cash flow emergencies that will remain in force.

Debt Policy. In February 2007, the City Council adopted debt affordability policies that limit the overall net debt to 3.5% of assessed value of taxable real property and \$3,000 per capita. On May 10, 2015, to further limit the amount of revenues that are consumed by fixed debt service costs, the City Council approved a resolution amending the debt policy to include limiting the City's tax-supported debt service to 10.0% of budgeted general governmental revenues, effective July 1, 2015.

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

Budgetary Controls. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, Chesapeake Mosquito Control Commission – Component Unit and Public Schools – Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds, including the Public Schools – Component Unit Construction Fund, the Grants Fund, the Community Development Fund and certain other Special Revenue Funds. The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the fund level. City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and generally re-appropriated as part of the following year's budget provided there is availability of funding at year-end. City Council approves transfers between departments and programs, as well as transfers between revenue and expense categories.

Other Information

Single Audit. As a recipient of federal and state financial assistance, the City is also responsible for establishing and maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the City Auditor. As part of the City's Single Audit, tests were performed to determine the adequacy of internal controls and of its compliance with applicable laws and regulations, including that portion related to federal awards. The testing of major federal award programs for the fiscal year ended June 30, 2016 disclosed no internal control material weaknesses or material violations of applicable laws and regulations.

Independent Audit. The City's Charter, SEC 11.06, *Annual Audit* requires an audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City's Audit Selection Committee and approved by City Council. 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 the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Report of Independent Auditor on the Basic Financial Statements is included in the Financial Section of this report. The Reports of Independent Auditor on internal controls and compliance can be found in the Compliance Section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 34th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The GFOA also presented the Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2015.

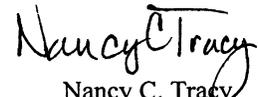
A Certificate of Achievement is valid for a period of one year only. The City believes that the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

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.



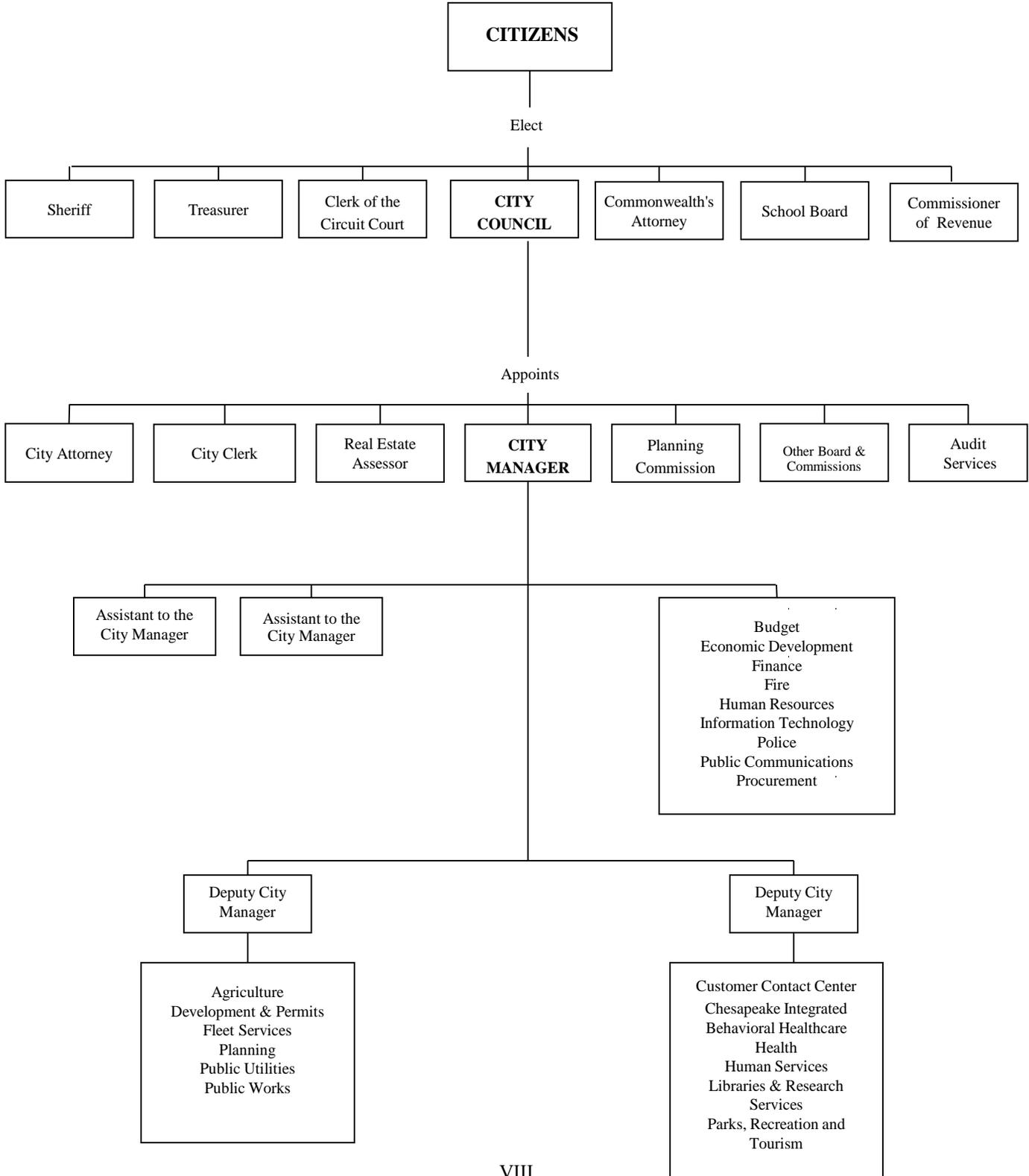
James E. Baker
City Manager

Very truly yours,



Nancy C. Tracy
Director of Finance

CITY WIDE ORGANIZATIONAL CHART



CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2016

City Council

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

Lonnie E. Craig
Roland J. Davis
Robert C. Ike, Jr.
Suzy H. Kelly
S.Z. “Debbie” Ritter
Dr. Ella Ward
Dr. Richard W. West

Other Officials

Barbara O. Carraway City Treasurer
Ray A. Conner Commissioner of Revenue
Nancy G. Parr Commonwealth’s Attorney
James O’Sullivan Sheriff
James E. Baker City Manager
Jan L. Proctor..... City Attorney
Jay Poole..... City Auditor
Sandy Madison City Clerk
Gregory H. Daniels..... Real Estate Assessor
Vacant..... Deputy City Manager, Operations
Dr. Wanda Barnard-Bailey Deputy City Manager, Human Development/Community Initiatives
Mary Ann Saunders Assistant to the City Manager
Anna D’Antonio Assistant to the City Manager
Randall D. Smith Chief Judge, Circuit Court
John W. Brown, Marjorie T. Arrington and Timothy S. Wright Judges, Circuit Court
Faye Mitchell Clerk of the Circuit Court
Robert G. MacDonald..... Chief Judge, General District Court
Philip J. Infantino, Michael R. Katchmark and Stephen J. Telfeyan Judges, General District Court
Deborah A. Ellington.....Clerk of the General District Court
Eileen A. Olds..... Chief Judge, Juvenile and Domestic Relations Court
Rufus A. Banks, Jr. and Larry D. Willis Judges, Juvenile and Domestic Relations Court
Marisa J. Norman Clerk of the Juvenile and Domestic Relations Court
Watson Lawrence Director of Agriculture
Steven L. Jenkins Budget Director
Joseph J. Scislowicz..... Executive Director, Chesapeake Integrated Behavioral Healthcare
Maury B. Brickhouse.....Director of Court Services
Jay B. Tate..... Director of Development and Permits
Steven C. Wright Director of Economic Development
Nancy C. Tracy..... Director of Finance
Edmund E. Elliott, Jr. Fire Chief
Dr. Nancy M. Welch Health Director
Donna L. Mears Director of Human Resources
Susan “Michelle” Cowling..... Director of Human Services
Peter R. Wallace Chief Information Officer
Victoria Strickland-Cordial..... Director of Libraries and Research Services
Michael D. Barber Director of Parks, Recreation and Tourism
Jaleh M. Shea..... Director of Planning

CITY OF CHESAPEAKE, VIRGINIA

City Officials
June 30, 2016

Colonel Kelvin L. Wright Chief of Police
Mark S. Cox..... Director of Public Communications
David Jurgens Director of Public Utilities
Eric J. MartinDirector of Public Works
Michael L. Thomas Procurement Administrator of Purchasing

School Board

Christie New Craig Chairman
C. Jeff Bunn..... Vice Chairman

Samuel L. Boone, Jr.
Colleen C. Leary
Thomas L. Mercer, Sr
Harry A. Murphy
Victoria L. Proffitt
Louis J. Tayon, Jr.
Michael J. Woods

Other School Board Officials

Dr. James T. Roberts Superintendent
Dr. Jacqueline C. Miller..... Assistant Superintendent for Student Services
Dr. Anita B. James..... Assistant Superintendent for Curriculum and Instruction
Victoria Lucente Assistant Superintendent for Budget and Finance
Dr. Alan L. Vaughan..... Assistant Superintendent for Human Resources and School Services
J. Paige StutzAssistant Superintendent for Operations
Dr. Jean A. Infantino Executive Director of Administrative Services / Clerk of the Board

Supplemental Listing

Donald H. Britt Secretary/Treasurer, Chesapeake Airport Authority
Steven C. Wright Executive Director, Chesapeake Port Authority
Steven C. Wright Executive Secretary, Economic Development Authority
Lisa Vanlandingham Executive Director, Elizabeth River Properties of Chesapeake, Inc.
Brenda G. Willis Executive Director, Chesapeake Redevelopment and Housing Authority
Raimundo Rivera Director of Finance and Administration,
Chesapeake Redevelopment and Housing Authority
Dreda Symonds..... Director, Chesapeake Mosquito Control Commission



Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION



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Chesapeake
VIRGINIA

Report of Independent Auditor

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

Report on Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc., which represent 2.61%, 2.42%, and 0.33%, respectively, of the assets, net position, 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 Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc. are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Elizabeth River Properties of Chesapeake, Inc., were not audited in accordance with *Government Auditing Standards*. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement

As described in Note 17 to the financial statements, the School Board restated beginning net position for governmental activities to correct an overstatement of construction in progress and net position invested in capital assets. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") and required supplementary information other than MD&A, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, 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* in considering the City's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekant LLP in cursive script.

Virginia Beach, Virginia
December 13, 2016

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Chesapeake
VIRGINIA

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

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

The discussion and analysis of the financial performance of the City of Chesapeake (the City) provides an overall review of the City's financial activities for the fiscal year ended June 30, 2016. 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 2016

- For the year ended June 30, 2016, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*.
- The total net position of the City on a government-wide basis excluding component units, at the close of fiscal year 2016 was \$1.586 billion. Of this amount, \$123.6 million is unrestricted.
- The City's total net position increased by \$119.1 million from the prior year. The governmental activities net position increased by \$85.8 million and business-type net position increased by \$33.3 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$345.8 million, an increase of \$15.0 million from the prior year. Approximately 76.4% or \$264.1 million of this amount is unrestricted (committed, assigned or unassigned).
- The General Fund, on a current financial resources basis, reported a net increase in fund balance of \$28.8 million. The original budget projected a budget deficit of \$13.3 million. The final amended budget included net increases over the original budget of \$0.2 million in revenues and \$0.4 million in expenses along with a net decrease in other financing uses of \$1.3 million and resulted in a revised budget deficit projection of \$12.2 million. Through continued efforts by City management to control costs, particularly human resource costs, coupled with recruitment challenges for some job classes, the actual expenditures, exclusive of payments to Schools, of \$261.5 million were \$30.7 million or 10.5% lower than the amended budget.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$65.2 million, or 14.6% of total General Fund expenditures (including payments to Chesapeake Public Schools).
- The total fund balance of the General Fund of \$187.7 million increased \$28.8 million from the prior year. Fund balance composition at year end was 0.8% nonspendable, 17.7% restricted, 41.5% committed, 5.2% assigned and 34.8% unassigned.
- The City's total bonded debt increased by \$31.0 million from fiscal year 2015 (approximately 5.1%).

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City'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.
 - The *proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water and sewer) system. Also presented are internal services funds which are, for the most part, supported through charges to other funds to allocate the cost of services provided.
 - The *fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong. The City's fiduciary funds consist of an Agency Fund (Special Welfare) and an OPEB Trust Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations.
- The remaining statements are *other discretely presented component units' financial statements* that provide financial information about the Chesapeake Public Schools and the City's other discretely presented component units, which are aggregated on the *government-wide financial statements*.

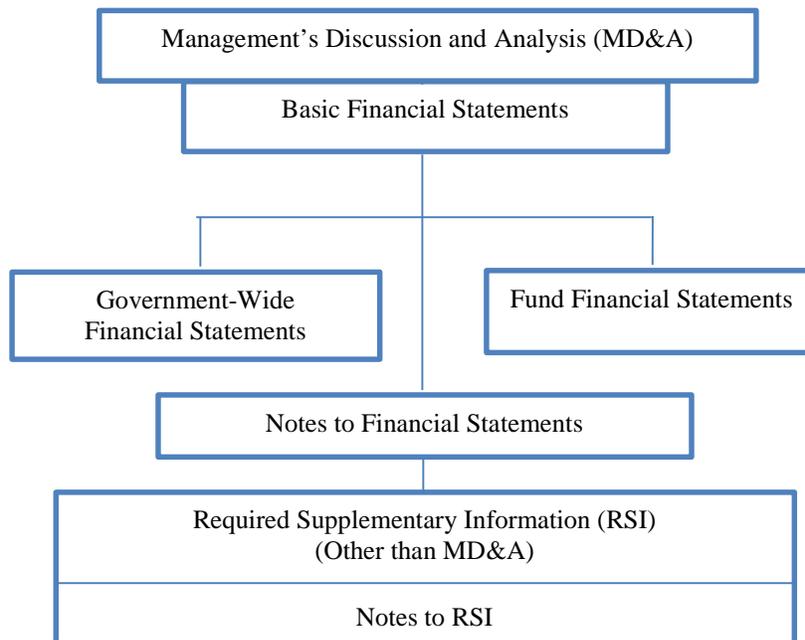
The financial statements also include *Notes to Basic Financial Statements* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section titled *Required Supplementary Information* that further explains and supports the information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

The following graphic 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
Year Ended June 30, 2016

Required Components of the City of Chesapeake 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 Position 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 position and how they have changed. Net position, the residual of assets, deferred outflow of resources, liabilities and deferred inflow of resources, is one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net position 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.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

In the Statement of Net Position 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 and 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, Chesapeake Transportation System and stormwater system are included in this category.
- *Component units* – The City includes six 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, the Chesapeake Airport Authority and Elizabeth River Properties of Chesapeake, Inc. 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 or by bond covenants; City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The City has three kinds of funds:

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position totaled \$1.586 billion at the close of fiscal year 2016, an increase of \$119.1 million from the net position at June 30, 2015. By far the largest portion of the City's net position (74.2%) is net investment in capital assets (e.g., land, buildings, equipment and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Statement of Net Position

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

June 30, 2016 and 2015
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Assets and Deferred Outflows						
Current and other assets	\$ 451.5	434.3	219.5	190.8	671.0	625.1
Capital assets	1,074.1	1,038.8	832.9	779.5	1,907.0	1,818.3
Deferred outflows of resources	23.9	23.2	4.7	4.2	28.6	27.4
Total assets and deferred outflows	1,549.5	1,496.3	1,057.1	974.5	2,606.6	2,470.8
Liabilities and Deferred Inflows						
Current and other liabilities	72.8	72.7	23.1	22.9	95.9	95.6
Long-term liabilities	431.6	450.5	458.0	407.9	889.6	858.4
Deferred inflows of resources	25.0	38.8	9.7	10.7	34.7	49.5
Total liabilities and deferred inflows	529.4	562.0	490.8	441.5	1,020.2	1,003.5
Net Position						
Net investment in capital assets	803.4	751.2	374.3	381.0	1,177.7	1,132.2
Restricted	89.1	83.0	196.0	180.1	285.1	263.1
Unrestricted (deficit)	127.6	100.1	(4.0)	(28.1)	123.6	72.0
Total net position	1,020.1	934.3	566.3	533.0	1,586.4	1,467.3
Total liabilities, deferred inflows and net position	\$ 1,549.5	1,496.3	1,057.1	974.5	2,606.6	2,470.8

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

Approximately 18.0% of the City's net position is subject to external restrictions. The remaining balance of unrestricted net position (\$123.6 million or 7.8%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, for the Primary Government as a whole. In addition, all categories of net position for its separate governmental and business-type activities are positive balances except for the unrestricted deficit for business-type activities of \$4.0 million. Total unrestricted net position increased by \$51.6 million or 71.7% from the prior year. Total restricted net position increased \$22.0 million or 8.4%, largely due to unspent incremental tax revenues generated in designated commercial areas of the City to fund improvements in those areas and restricted business-type activities. Lastly, net investment in capital assets increased \$45.5 million or 4.0%. The City's total net position increased by \$119.1 million or 8.1% during the fiscal year.

Governmental Activities

The increase in net position from the current fiscal year was \$85.8 million, as shown on the Statement of Activities. This increase is mainly attributable to increases in revenues while expenses increased to a much lesser degree.

Revenues for the City's governmental activities were \$644.7 million, representing an increase of \$42.1 million over fiscal year 2015. The net increase was primarily due to a combination of increases of \$8.9 million in taxes, \$3.2 million in charges for services and \$29.3 million in grants and contributions. Total donated land and infrastructure assets, including roads, of \$20.6 million were reported in the public works function.

General revenues increased \$9.6 million over the prior year. Real and personal property taxes, the largest source of the City revenues, showed an increase of \$6.1 million or 2.0%. This increase is mainly due to increased collections in current general property taxes, which resulted from increases in assessments – 1.9% in real estate and 6.1% in personal property. Other taxes increased \$2.8 million or 2.2%.

Expenses increased by \$10.8 million or 2.0%. Major increases are in the following functional areas: \$16.5 million in education, \$6.0 million in parks and recreation and \$1.5 million in public welfare. These were offset by decreases in the following functional areas: \$6.0 million in public works, \$4.4 million in general government, \$0.5 million in public safety, \$1.4 million in interest on long-term debt and \$0.9 million in net unallocated portion of depreciation and amortization.

Business-type Activities

The increase in net position from the current fiscal year was \$33.3 million. These resources cannot be used to make up for any net deficit in governmental activities. The City generally can only use this net position to finance the continuing operations of its enterprise operations, which include the Public Utilities, the Chesapeake Transportation System and Stormwater Management. Increases in capital assets were mainly attributable to a significant increase in construction in progress related to the Chesapeake Transportation System and \$7.7 million of deeded and donated assets from developers reported in the Public Utilities Fund. Total revenues increased \$8.7 million or 8.3% for business-type activities primarily due to increases in charges for services and capital grants and contributions.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

Statement of Activities

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

Year Ended June 30, 2016 and 2015
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenues						
Program revenues						
Charges for services	\$ 34.1	30.9	99.5	96.0	133.6	126.9
Operating grants and contributions	108.4	94.9	1.4	1.2	109.8	96.1
Capital grants and contributions	23.1	7.3	12.9	7.9	36.0	15.2
General revenues						
Property taxes	311.8	305.7	-	-	311.8	305.7
Other taxes	129.3	126.5	-	-	129.3	126.5
Grants and contributions not restricted to specific programs	32.2	31.9	-	-	32.2	31.9
Unrestricted investment earnings	2.2	1.7	-	-	2.2	1.7
Other	3.6	3.7	-	-	3.6	3.7
Total revenues	644.7	602.6	113.8	105.1	758.5	707.7
Expenses						
General government	125.2	129.6	-	-	125.2	129.6
Public safety	90.9	91.4	-	-	90.9	91.4
Public works	52.9	58.9	-	-	52.9	58.9
Parks and recreation	8.4	2.4	-	-	8.4	2.4
Public welfare	45.7	44.2	-	-	45.7	44.2
Education	208.5	192.0	-	-	208.5	192.0
Public Utilities	-	-	59.8	59.6	59.8	59.6
Chesapeake Transportation System	-	-	9.0	9.0	9.0	9.0
Stormwater Management	-	-	11.5	11.5	11.5	11.5
Interest on long-term debt	12.2	13.6	-	-	12.2	13.6
Depreciation and amortization unallocated	15.3	16.2	-	-	15.3	16.2
Total expenses	559.1	548.3	80.3	80.1	639.4	628.4
Excess (deficiency) before transfers	85.6	54.3	33.5	25.0	119.1	79.3
Transfers	0.2	0.2	(0.2)	(0.2)	-	-
Increase (decrease) in net position	85.8	54.5	33.3	24.8	119.1	79.3
Net position - beginning	934.3	879.8	533.0	508.2	1,467.3	1,388.0
Net position - ending	\$ 1,020.1	934.3	566.3	533.0	1,586.4	1,467.3

CITY OF CHESAPEAKE, VIRGINIA

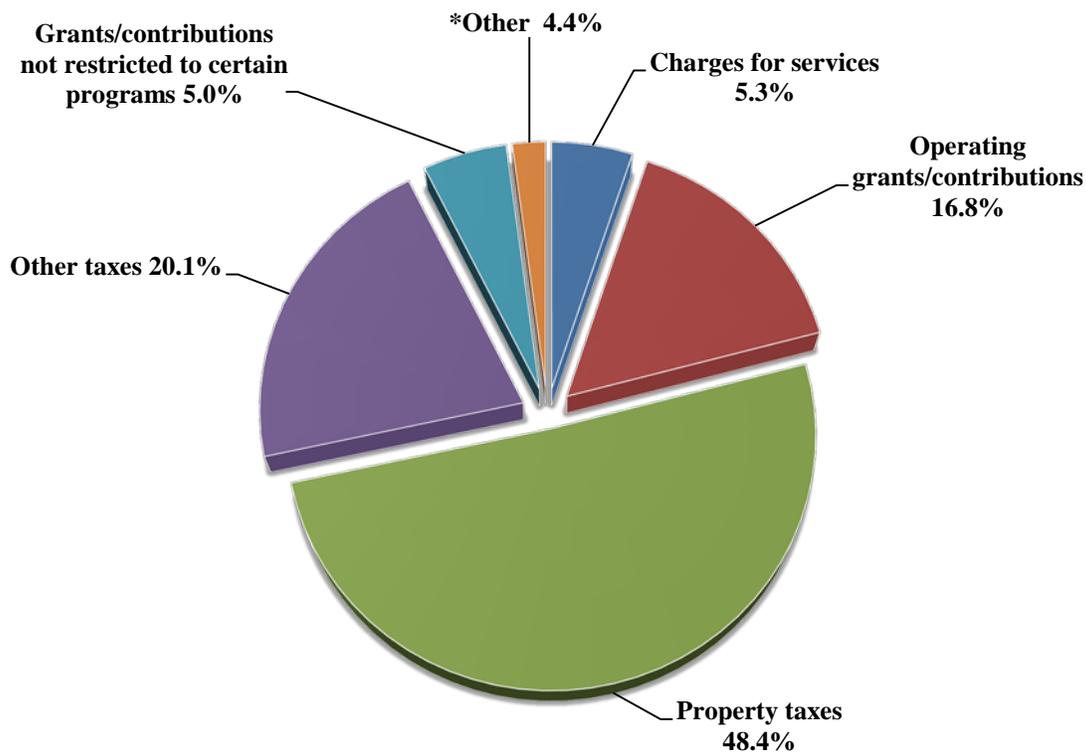
Management's Discussion and Analysis
Year Ended June 30, 2016

Governmental Activities

The City's total revenues from governmental activities were \$644.7 million for the fiscal year ended June 30, 2016. The largest source of revenue for the City, property taxes (composed of real estate and personal property taxes) totaled \$311.8 million and accounted for 48.4% of total revenues. Property taxes increased \$6.1 million or 2.0% from the prior year, primarily due to an increase in current real property taxes collections. Also a factor are the increases in assessed values from the prior year for real property of 1.9% and personal property of 6.1%. Both the personal property tax and the real estate tax rates remained unchanged in fiscal year 2016.

Revenues from other taxes, \$129.3 million, make up 20.1% of the City's revenues and increased 2.2% from the prior fiscal year, driven by consumer spending activity reflected in increased taxes on sales, business license, recordation and wills, restaurant meals and hotel/motel rooms. Approximately 68.5% of the City's revenue from governmental activities comes from some type of tax and 5.3% comes from fees charged for services.

Revenues by Source – Governmental Activities – Year Ended June 30, 2016



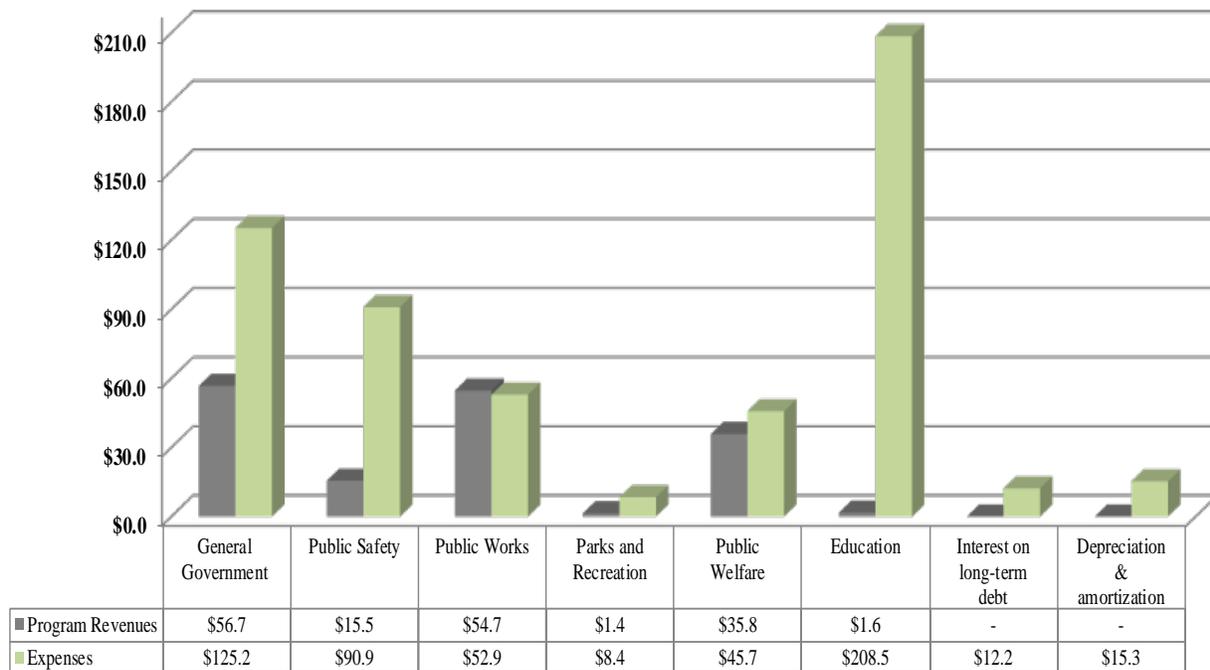
*Other includes capital grants/contributions and unrestricted investment earnings

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

The City's expenses for governmental activities cover a wide range of services, with 16.2% or \$90.9 million related to public safety, 8.2% or \$45.7 million for public welfare and 9.5% or \$52.9 million for public works. Education continues to be the City's largest program. Education expenses totaled \$208.5 million (including payments to the Chesapeake Public Schools, a component unit) in fiscal year 2016. Overall expenses for governmental activities increased by \$10.8 million from fiscal year 2015 primarily due to expense increases of \$6.0 million in parks and recreation, \$1.5 million in public welfare and \$16.5 million in education which were offset by expense savings of \$4.4 million in general government, \$0.5 million in public safety, \$6.0 million in public works, \$1.4 million in interest on long-term debt and \$0.9 million in net unallocated portion of depreciation and amortization.

Expenses and Program Revenues – Governmental Activities Year Ended June 30, 2016 (in millions)



Business-Type Activities

Net position for the City's business-type activities reached \$566.3 million, an increase of \$33.3 million. For fiscal year 2016, total revenues of business-type activities increased \$8.7 million mainly due to increases in charges for services and capital grants and contributions. Charges for services of \$99.5 million, including water and sewer utility fees, toll revenues and stormwater fees, increased \$3.5 million or 3.6% and made up 87.4% of total revenues for business-type activities. Total expenses for fiscal year 2016 were \$80.3 million, an increase of \$0.2 million over fiscal year 2015.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2016, the governmental funds reported combined ending fund balances of \$345.8 million, an increase of \$15.0 million from the prior year. Included in this are the following major transactions in governmental funds for the year ended June 30, 2016:

- \$51.1 million spent in the Capital Projects Fund to fund capital items
- \$186.7 million contributed from the City's General Fund to finance the Public School operations
- \$9.6 million of tax revenues generated by incremental increases in property values within the City's Greenbrier and South Norfolk Tax Increment Financing Districts

The City contributed \$8.6 million to the OPEB Trust Fund, including \$3.2 million considered pay-as-you-go. The OPEB Trust Fund was established in fiscal year 2008.

Approximately \$264.1 million of the combined total fund balances constitutes unrestricted fund balance, which is comprised of funds committed or assigned at the discretion of City Council as well as unassigned funds. The \$152.9 million unrestricted funds in the General Fund represent 34.1% of total General Fund expenditures and provide some measure of the General Fund's liquidity. Committed and assigned portions of the unrestricted governmental funds balances at June 30, 2016 were as follows:

- \$46.9 million committed for one time projects
- \$43.2 million committed for current capital projects
- \$15.7 million committed for future capital projects
- \$20.8 million committed for various programs and projects
- \$23.1 million assigned for future capital projects
- \$19.0 million assigned for debt service
- \$30.1 million assigned for various other purposes

The remainder of the unrestricted fund balance at June 30, 2016, the unassigned fund balance, includes \$65.2 million in the General Fund, the City's chief operating fund, and is in compliance with the City's new fund balance policy. Restricted fund balance total \$79.7 million at year end and include \$32.6 million for General Fund cash flow emergencies (6.0% of revenue as required by City Charter).

Total fund balance of the General Fund increased by \$28.8 million during fiscal year 2016, primarily due to \$5.7 million or 2.0% increase in property taxes revenues and \$2.6 million or 2.2% increase in other local taxes and \$1.7 million or 1.9% increase in revenues from the Commonwealth of Virginia. Investment income, license, permits and fees also contributed to the increase. Total expenditures increased by \$2.5 million or 0.6% from the prior fiscal year. The major contributing factor is an increase of \$1.7 million in capital outlay expenses.

The City Charter requires that a minimum of 6.0% of total General Fund revenues must be set aside in fund balance for emergency and cash flow needs which may arise throughout the fiscal year. The restriction for cash flow and emergencies totaled \$32.6 million at June 30, 2016. The City maintains a fund balance policy that was updated most recently to be effective beginning fiscal year 2015. This policy requires the maintenance of an unassigned fund balance

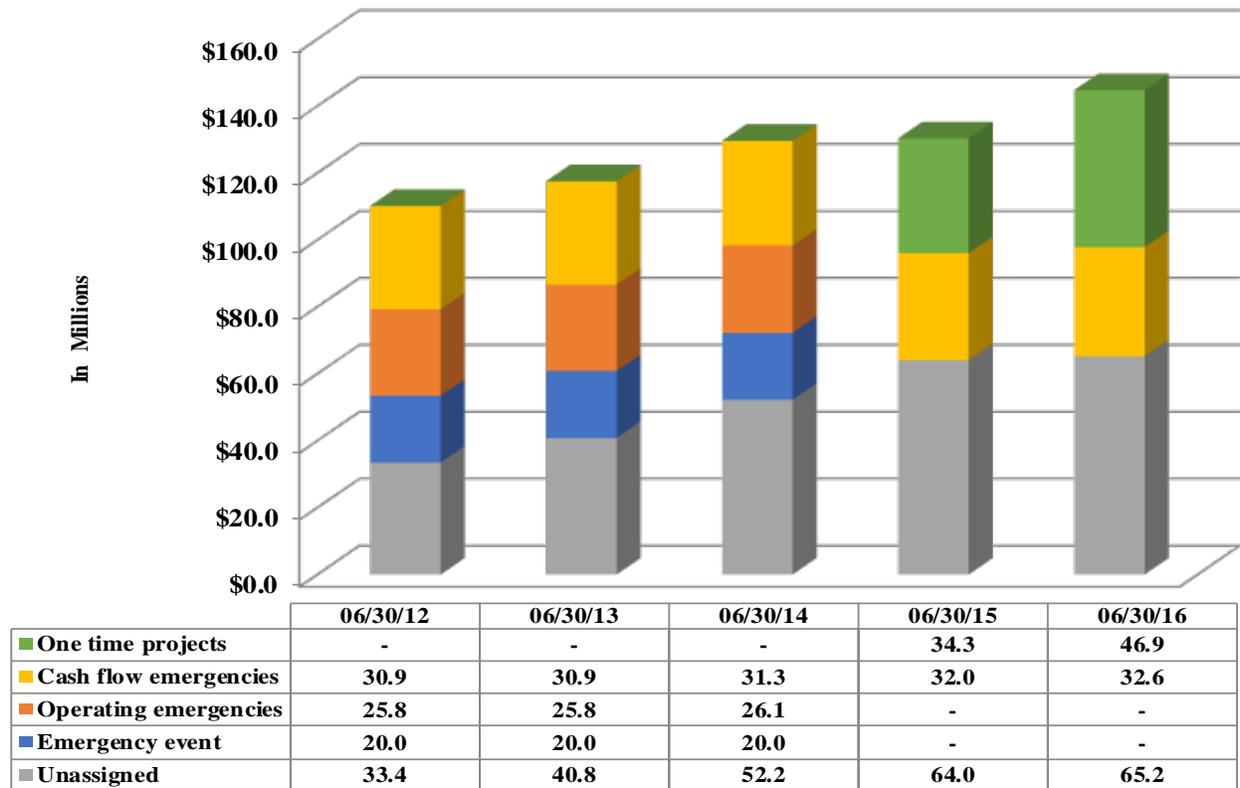
CITY OF CHESAPEAKE, VIRGINIA

Management’s Discussion and Analysis
 Year Ended June 30, 2016

equal to at least 10.0% of General Fund revenues and tax revenues committed to special revenue funds. City Council plans to budget for a 12.0% year-end unassigned fund balance to ensure compliance. The application results in the elimination of previously set aside amounts for operating emergencies and emergency event response which existed prior to fiscal year 2015 and were included with the committed fund balance in accordance with GASB 54.

The fund balance policy implemented in fiscal year 2015 also created a committed fund balance category for one time projects. In addition to committed for one time projects, \$31.0 million has been committed for other purposes including \$15.7 million set aside for lockbox funds for School and City capital projects to be used for future debt service and pay-as-you go financing.

**General Fund
 Selected components of the City’s fund balance**



The unassigned fund balance of the General Fund, which represents available current financial resources, totaled \$65.2 million at June 30, 2016. A healthy fund balance allows the City to provide adequate services for the citizens, plan for future projects and retain its sound financial position.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

Summary of Changes in General Fund Unassigned Fund Balance

Year ended June 30, 2016

(in Millions)

Unassigned fund balance at June 30, 2015		\$ 64.0
Revenues	\$ 534.1	
Expenditures:		
Current, Capital Outlay and Debt Service	448.1	
Other financing sources (uses)	(57.2)	
Net Change in fund balance	28.8	
Increase in reservations (Restricted, Committed and Assigned)	(27.6)	
Increase in unassigned fund balance		1.2
Unassigned fund balance at June 30, 2016		\$ 65.2

The Debt Service Fund ended the year with \$19.3 million in total fund balance, a decrease of \$4.7 million from 2015. The decrease is mainly due to a \$4.5 million planned use of fund balance. The assigned fund balance of \$19.0 million is for the payment of debt service as directed by City Council.

Total fund balance of the Capital Project Fund decreased by \$22.6 million as a result of \$51.1 million in capital outlay offset by \$14.0 million of revenues (primarily intergovernmental and revenues from local developers) and \$14.5 million in other financing sources and uses.

Proprietary Funds

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

For the fiscal year 2016, Public Utilities reported an increase in net position of \$20.6 million to \$432.8 million at June 30, 2016 from \$412.2 million at June 30, 2015. Total operating revenues of \$71.9 million were \$2.7 million more than the prior year primarily due to a 4.9% rate increase effective July 1, 2015 as well as an increase in the number of water and sewer connections. Total operating expenses for fiscal year 2016 were \$55.2 million, an increase of \$2.4 million.

Chesapeake Transportation System reported operating revenues for fiscal year 2016 of \$11.9 million versus \$11.1 million for 2015. The slight increase is due primarily to increases in overall traffic transactions. Operating expenses for the year amounted to \$8.1 million, with \$4.1 million from depreciation and amortization expense. Net position increased by \$7.8 million.

Stormwater Management had \$40.7 million in restricted net position at June 30, 2016, an increase of \$2.3 million from 2015. Operating revenues were \$15.7 million. Operating expenses totaled \$10.2 million, a 10.6% increase from the previous fiscal year. Any fees collected in excess of current operating needs are restricted for use on future stormwater projects around the City. Approximately \$1.4 million was spent to replace aging vehicles and equipment and \$1.7 million was spent on various stormwater, dredging and drainage improvement projects during the year. Stormwater utility fees remain unchanged from January 1, 2010.

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Year Ended June 30, 2016
(in millions)

	Original Budget*	Amended Budget	Actual
Revenues:			
Taxes	\$ 414.2	414.3	420.2
Intergovernmental	87.2	87.2	87.9
Other	24.7	24.8	26.0
Total	526.1	526.3	534.1
Expenditures and transfers:			
Expenditures *	291.8	292.2	261.5
Transfers (net)	247.6	246.3	243.8
Total	539.4	538.5	505.3
Change in fund balance	\$ (13.3)	(12.2)	28.8

* The City's budget ordinance includes, as a part of the original budget for expenditures, the amount of \$3.9 million for encumbrances reappropriated from June 30, 2015.

Differences between the original budget and the final amended budget for the City's General Fund included additional revenues of \$0.2 million, a \$0.4 million increase in appropriations and a net decrease of \$1.3 million in transfers resulting in a \$1.1 million increase to the change in fund balance. Major changes included the following:

- Appropriation of \$0.9 million in fund balance to Public Safety for the purchase of a new fire engine to replace a retired one.
- Appropriation of \$0.1 million in property taxes for payments related to the Edinburgh area development.
- A transfer of \$2.0 million from the General Fund to the Capital Projects Fund to fund a road connector project.

Actual total revenues were above the amended budget by \$7.8 million, primarily due to other local taxes and general property taxes. Budgeted revenues for other local taxes were anticipating a 1.0% decrease over last fiscal year, a total of \$1.2 million while actual collections increased by \$2.6 million, or 2.2% mainly due to collections on restaurant food taxes and the taxes on recordation and wills. General property tax revenues were \$2.2 million more than amended budgeted revenues. Of the \$2.2 million, \$1.4 million was from current taxes collected on real property and another \$1.0 million was from delinquent taxes collected on personal property. Revenue sources other than taxes and intergovernmental were \$1.2 million more than amended budgeted revenues. Of the \$1.2 million, \$0.6 million was from revenue collected from licenses, permits and fees and another \$0.6 million was from investment income.

Expenditures were below the amended budget by \$30.7 million, prior to encumbrances. The general government category returned \$15.3 million or 12.9% of its budget, partially due to cost savings and vacancies resulting from employee retirement and turnover. Notable savings include Public Libraries - \$0.8 million, Sheriff - \$2.9 million, regional cooperation and support - \$0.8 million, Treasurer - \$1.0 million and Development and Permits - \$0.9 million. Public Safety departments were \$7.1 million or 7.6% below amended budget. Public Works departments were \$6.5 million or 9.6% below the amended budget mainly in street maintenance and drainage. Although the amended budget called for a reduction of \$12.2 million in fund balance, the actual revenues and expenditures resulted in a net increase in fund balance of \$28.8 million, a positive budget variance of \$41.0 million.

CITY OF CHESAPEAKE, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2016

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to approximately \$1.907 billion (net of accumulated depreciation). This investment includes land, intangibles, municipal and school buildings, improvements, machinery and equipment, drainage and water/sewer systems, 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 4.9% or \$88.7 million - an increase of 3.4% for governmental activities and an increase of 6.9% for business-type activities in part due to \$52.5 million increase in construction in progress for the Chesapeake Transportation System.

Capital Assets (net of accumulated depreciation)

June 30, 2016 and 2015

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 58.5	53.9	22.3	22.3	80.8	76.2
Intangibles	285.2	275.3	3.7	3.6	288.9	278.9
Construction in progress	104.1	71.3	397.4	339.0	501.5	410.3
Buildings	345.6	359.4	3.6	3.7	349.2	363.1
Improvements other than buildings	19.7	19.9	2.7	2.6	22.4	22.5
Software, equipment and vehicles	59.0	58.2	6.3	5.3	65.3	63.5
Infrastructure	202.0	200.8	396.9	403.0	598.9	603.8
Total	\$ 1,074.1	1,038.8	832.9	779.5	1,907.0	1,818.3

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

- Completed capital projects totaling \$20.6 million for governmental activities.
- Completed capital projects totaling \$6.6 million for business-type activities.
- Construction in progress totaled \$104.1 million for governmental activities at the end of the fiscal year.
- Construction in progress totaled \$397.4 million for business-type activities, which includes Public Utilities, Chesapeake Transportation System and Stormwater projects.

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

The City’s fiscal year 2017 capital budget provides approximately \$72.9 million for various capital projects. Some of the major categories include \$23.6 million for transportation projects, \$12.9 million in school related projects, \$3.2 million for public safety projects, \$4.2 million for economic development, \$3.4 million for community facilities projects, \$12.4 million for Public Utilities projects and \$8.2 million for Stormwater projects. Projects budgeted to commence in fiscal year 2017 include:

- Expansion of parking areas at the Russell Memorial Library and the Chesapeake Integrated Behavioral Healthcare facility
- Convert existing Kindergarten classrooms throughout the school division from half-day to full-day compatibility
- Renovations and improvements to the Chesapeake Correctional Center (Jail) and the Sheriff’s office
- Hydraulic studies for water system planning and upgrades

CITY OF CHESAPEAKE, VIRGINIA

Management’s Discussion and Analysis
 Year Ended June 30, 2016

- Design and construction of master drainage facility improvements to three watersheds: Cooper’s Ditch, Southern Chesapeake and Bells Mill
- Repair and maintenance of three bridges: Oaklette Bridge, Bypass 168 Bridge at Battlefield Boulevard and New Mathues Bridge
- The widening of Mount Pleasant road to include a center turn lane east of the Chesapeake Expressway

Long-term Debt

At the end of the current fiscal year, the City of Chesapeake had total bonded debt outstanding (including literary loans and an installment purchase agreement) of \$636.7 million. Of this amount, \$342.5 million comprises debt backed by the full faith and credit of the City and \$294.2 million is debt secured by revenues of the Water and Sewer System and Chesapeake Transportation System toll revenues.

June 30, 2016 and 2015
 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds*	\$ 262.6	\$ 277.5	77.8	83.8	340.4	361.3
Revenue bonds*	-	-	294.2	242.1	294.2	242.1
Literary loans	0.8	1.0	-	-	0.8	1.0
Installment purchase agreement	1.3	1.3	-	-	1.3	1.3
	\$ 264.7	\$ 279.8	372.0	325.9	636.7	605.7

*does not include bond premiums and discounts.

Chesapeake’s total debt increased by \$31.0 million during fiscal year 2016. The City retired \$34.0 million in bonds in addition to the sale of \$12.2 million of General Obligation school bonds. These school bonds were to partially fund an expansion of a primary school as well as to finance major renewal and replacement projects. The Chesapeake Transportation System Convertible Capital Appreciation Bonds increased \$2.4 million due to accreted interest. Also, the City borrowed an additional \$50.4 million from the Virginia Transportation Infrastructure Bank (VTIB) to fund ongoing construction for the Chesapeake Transportation System. The VTIB debt has a subordinate lien.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.0% of its total assessed valuation of real property. The current debt limitation for the City of Chesapeake is \$2.4 billion, which is significantly in excess of the City’s total outstanding debt subject to the legal debt limit.

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

CITY OF CHESAPEAKE, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for fiscal year 2016 for the City of Chesapeake is 4.3%, a decline from the 2015 rate of 5.0%. This compares to the average unemployment rates of 4.5% for the region, 4.0% for Virginia and 5.1% nationally for the same time period.
- The Hampton Roads Planning District Commission projects the total Chesapeake's population for 2034 will be approximately 313,600.
- The City's real estate tax base for fiscal year 2017 increased by \$3.6 million.
- Taxable retail sales for calendar year 2015 increased by \$103.9 million or 3.2%.
- As a result of the issuance of Virginia Public School Authority's 2015 refunding bonds, the City will be receiving approximately \$3.3 million in savings that will be allocated over the remaining amortization period for the City's bonds, whose original purpose finances School assets, which have a final maturity date of 2029. The savings commenced during fiscal year 2016.
- Due to uncertain national, state and local economic conditions, the City will continue to focus on core service delivery for the next three to five years. To help address the identified City and School capital requirements, funds continue to be assigned to provide resources for future debt service and cash funding for projects.

All of these factors will be considered in preparing Chesapeake's budget for fiscal year 2018. Additionally, the City budget process includes detailed three-year resource requirements in order to improve projections, further support strategic planning and to maintain the City's fiscal stability and strong financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



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Chesapeake
VIRGINIA

Government-Wide Financial Statements

Chesapeake
VIRGINIA

Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units	
				Public Schools	Other
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and temporary investments (note 2)	\$ 276,786,385	96,194,775	372,981,160	41,420,899	9,667,201
Receivables, net of allowance for uncollectible amounts (note 3)	90,792,325	29,196,917	119,989,242	33,667,442	57,297
Due from component units, net of allowance for uncollectible amounts (note 7)	223,100	-	223,100	-	-
Internal balances (note 8)	12,633,767	(12,633,767)	-	-	-
Inventories	1,832,027	2,122,311	3,954,338	2,590,453	12,509,044
Prepaid expenses	3,695,094	102,032	3,797,126	113,577	130,733
Restricted assets (note 2):					
Cash and temporary investments with trustee	-	25,064,934	25,064,934	-	-
Cash restricted for debt service	-	5,064,152	5,064,152	-	-
Cash restricted for debt service with trustee	-	17,805,158	17,805,158	-	-
Cash with State Set-Aside (note 2)	520,509	-	520,509	-	-
Capital construction:					
Cash and temporary investments	63,945,716	46,145,879	110,091,595	25,721,596	-
Cash and temporary investments with trustee	32	9,524,759	9,524,791	-	-
Cash restricted for improvement and redemption	-	1,000,000	1,000,000	-	-
Investment - zero coupon bond	1,012,472	-	1,012,472	-	-
Capital Assets (notes 4, 6 and 9):					
Land	58,542,580	22,255,578	80,798,158	17,277,065	3,154,649
Intangibles	285,202,350	3,742,087	288,944,437	-	-
Construction in progress	104,080,326	397,441,840	501,522,166	12,483,875	-
Buildings	610,976,977	5,607,566	616,584,543	201,475,441	3,876,840
Improvements other than buildings	47,103,490	3,807,666	50,911,156	5,604,230	19,552,854
Software, equipment and vehicles	158,622,417	17,266,774	175,889,191	78,610,118	1,835,643
Infrastructure	1,126,740,423	684,160,370	1,810,900,793	-	-
Accumulated depreciation	(1,317,193,561)	(301,402,082)	(1,618,595,643)	(82,076,049)	(16,809,104)
Total assets	1,525,516,429	1,052,466,949	2,577,983,378	336,888,647	33,975,157
Deferred Outflows of Resources (note 5)	23,946,241	4,684,840	28,631,081	32,980,696	144,060
Total assets and deferred outflows of resources	\$ 1,549,462,670	1,057,151,789	2,606,614,459	369,869,343	34,119,217
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Accounts payable, deposits and accrued expenses (note 3)	\$ 24,542,095	14,208,757	38,750,852	49,212,998	313,622
Unearned revenues	4,491,417	1,305,726	5,797,143	-	29,845
Due to Primary Government (note 7)	-	-	-	-	2,486,602
Long-term liabilities (notes 6, 9 and 10):					
Due within one year	43,745,751	7,595,001	51,340,752	3,037,837	90,000
Due in more than one year	431,605,560	458,038,027	889,643,587	704,321,852	1,600,081
Total liabilities	504,384,823	481,147,511	985,532,334	756,572,687	4,520,150
Deferred Inflows of Resources (note 5)	24,949,312	9,672,828	34,622,140	29,595,000	880,996
Net Position					
Net investment in capital assets	803,408,601	374,310,640	1,177,719,241	228,139,141	10,482,782
Restricted for:					
Capital projects	9,496,284	13,054,525	22,550,809	23,976,510	-
Debt service	572,809	33,421,662	33,994,471	-	-
Other purposes:					
Expendable:					
General Fund - state and federal restrictions	32,643,282	-	32,643,282	-	-
Special Projects	46,202,086	-	46,202,086	-	-
Educational Purposes	180,865	-	180,865	22,356,010	-
Public Works	32	-	32	-	-
Public Utilities Operations	-	102,465,207	102,465,207	-	-
Chesapeake Transportation System Operations	-	12,655,376	12,655,376	-	-
Stormwater Management Operations	-	34,450,338	34,450,338	-	-
Elizabeth River Properties of Chesapeake, Inc.	-	-	-	-	340,614
Chesapeake Airport Authority	-	-	-	-	210,319
Nonexpendable - Permanent Funds	12,795	-	12,795	-	-
Unrestricted (deficit)	127,611,781	(4,026,298)	123,585,483	(690,770,005)	17,684,356
Total net position	1,020,128,535	566,331,450	1,586,459,985	(416,298,344)	28,718,071
Total liabilities, deferred inflows and net position	\$ 1,549,462,670	1,057,151,789	2,606,614,459	369,869,343	34,119,217

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

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental		Discretely Presented	
					Activities	Business-type Activities	Public Schools	Others
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 125,133,326	17,919,246	38,474,622	291,368	(68,448,090)	-	(68,448,090)	-
Public safety	90,907,369	6,327,000	8,945,420	271,636	(75,363,313)	-	(75,363,313)	-
Public works	52,877,267	397,605	33,088,317	21,164,323	1,772,978	-	1,772,978	-
Parks and recreation	8,423,774	1,325,959	43,450	-	(7,054,365)	-	(7,054,365)	-
Public welfare	45,705,033	8,128,191	27,650,262	-	(9,926,580)	-	(9,926,580)	-
Education	208,466,021	-	235,270	1,418,328	(206,812,423)	-	(206,812,423)	-
Interest on long term debt	12,228,723	-	-	-	(12,228,723)	-	(12,228,723)	-
Depreciation and amortization - net unallocated portion (note 4)	15,331,944	-	-	-	(15,331,944)	-	(15,331,944)	-
Total governmental activities	559,073,457	34,098,001	108,437,341	23,145,655	(393,392,460)	-	(393,392,460)	-
Business-type activities:								
Public Utilities	59,789,391	71,895,798	1,043,378	7,748,865	-	20,898,650	20,898,650	-
Chesapeake Transportation System	8,987,678	11,938,642	145,417	4,715,700	-	7,812,081	7,812,081	-
Stormwater Management	11,541,070	15,661,983	231,021	478,246	-	4,830,180	4,830,180	-
Total business-type activities	80,318,139	99,496,423	1,419,816	12,942,811	-	33,540,911	33,540,911	-
Total Primary Government	\$ 639,391,596	133,594,424	109,857,157	36,088,466	(393,392,460)	33,540,911	(359,851,549)	-
COMPONENT UNITS								
Public Schools	\$ 435,759,664	18,998,372	88,307,523	1,163,712	-	-	(327,290,057)	-
Chesapeake Mosquito Control Commission	5,181,759	-	4,162,048	-	-	-	(1,019,711)	-
Economic Development Authority	3,322,203	-	3,982,291	-	-	-	660,088	-
Chesapeake Port Authority	46,795	39,722	10,160	-	-	-	3,087	-
Chesapeake Airport Authority	1,340,246	434,638	976,006	-	-	-	70,398	-
Elizabeth River Properties of Chesapeake, Inc	223,076	111,979	41,893	-	-	-	(69,204)	-
Total component units	\$ 445,873,743	19,584,711	97,479,921	1,163,712	-	-	(327,290,057)	(355,342)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 311,753,152	-	311,753,152	-
Local sales and use taxes					38,134,836	-	38,134,836	-
Consumer utility taxes					10,549,605	-	10,549,605	-
Communication sales tax					11,508,013	-	11,508,013	-
Business license taxes					25,432,077	-	25,432,077	-
Local utility consumption tax					843,792	-	843,792	-
Bank stock taxes					1,629,044	-	1,629,044	-
Taxes on recordation and wills					3,341,663	-	3,341,663	-
Tobacco taxes					4,559,533	-	4,559,533	-
Hotel and motel room taxes					5,828,536	-	5,828,536	-
Restaurant food taxes					25,970,324	-	25,970,324	-
Admission taxes					861,479	-	861,479	-
Short-term rental taxes					628,180	-	628,180	-
Payment from City					-	-	-	200,669,966
Grants and contributions not restricted to specific programs					32,200,518	-	32,200,518	-
Unrestricted investment earnings					2,212,618	-	2,212,618	-
Miscellaneous					3,593,743	-	3,593,743	-
Transfers					167,124	(167,124)	-	-
Total general revenues and transfers					479,214,237	(167,124)	479,047,113	356,872,651
Change in net position					85,821,777	33,373,787	119,195,564	29,582,594
Net position - beginning, as restated (note 17)					954,306,758	552,957,663	1,467,264,421	(445,880,938)
Net position - ending					\$ 1,020,128,535	566,331,450	1,586,459,985	(416,298,344)
								28,718,071

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Chesapeake
VIRGINIA

Fund Financial Statements



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Chesapeake
VIRGINIA

Governmental Fund Financial Statements

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

Other Governmental Funds – Include Special Revenue and Permanent Funds.



CITY OF CHESAPEAKE, VIRGINIA

Schedule C

Balance Sheet
Governmental Funds
June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and temporary investments (note 2)	\$ 151,371,633	19,162,501	-	68,653,251	239,187,385
Intergovernmental revenues due from (note 3):					
Commonwealth of Virginia:					
Local sales tax	3,165,438	-	-	-	3,165,438
State categorical aid	1,617,161	-	-	-	1,617,161
Personal property tax relief act	28,590,001	-	-	-	28,590,001
Other	92,759	-	3,544,007	1,893,173	5,529,939
Federal government	-	-	305,848	1,994,663	2,300,511
Receivables (note 3):					
Property taxes	34,908,643	-	-	-	34,908,643
Accounts receivable	7,157,529	-	-	3,695,643	10,853,172
Utility taxes	2,967,092	-	-	-	2,967,092
Interest	249,728	55,135	-	1,590	306,453
Fines	168,900	-	-	650,058	818,958
Ambulance fees	3,730,418	-	-	-	3,730,418
Restaurant and food tax	2,278,685	-	-	-	2,278,685
Other	1,467,606	-	-	399,769	1,867,375
Allowance for uncollectible amounts	(5,561,897)	-	-	(2,884,191)	(8,446,088)
Inventory	1,491,755	-	-	-	1,491,755
Due from other funds (note 8)	224,514	-	5,982,642	-	6,207,156
Prepaid expenditures and other assets	-	-	-	260,785	260,785
Restricted assets (note 2):					
Cash with state set-aside (note 6)	520,509	-	-	-	520,509
Capital construction:					
Cash and temporary investments	-	-	63,945,716	-	63,945,716
Cash and temporary investments with trustee	-	-	32	-	32
Investments	-	-	-	1,012,472	1,012,472
Advances to component units (note 7):					
Economic Development Authority	1,319,095	-	-	-	1,319,095
Chesapeake Airport Authority	93,702	129,398	-	-	223,100
Chesapeake Port Authority	944,407	-	-	-	944,407
Allowance for doubtful accounts	(2,263,502)	-	-	-	(2,263,502)
Total assets	\$ 234,534,176	19,347,034	73,778,245	75,677,213	403,336,668
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable (note 3)	\$ 5,132,794	6,700	-	2,461,104	7,600,598
Deposits (note 3)	3,156,174	-	-	-	3,156,174
Accrued expenditures (note 3)	476,624	-	-	117,716	594,340
Unearned revenue	290,646	-	1,194,138	281,135	1,765,919
Other liabilities (note 3)	781,335	-	-	8,548	789,883
Payables from restricted assets:					
Construction projects payable (note 3)	-	-	6,214,513	-	6,214,513
Due to Commonwealth of Virginia	745	-	-	201,609	202,354
Due to other funds (note 8)	-	-	-	224,514	224,514
Total liabilities	9,838,318	6,700	7,408,651	3,294,626	20,548,295
Deferred Inflows of Resources (note 5)	37,028,069	-	-	-	37,028,069
Fund Balances (note 12)					
Nonspendable	1,585,457	129,398	-	273,449	1,988,304
Restricted for cash flow emergencies	32,623,282	-	-	-	32,623,282
Restricted other	540,507	200,290	32	46,382,951	47,123,780
Committed for one time projects	46,875,091	-	-	-	46,875,091
Committed other	30,964,586	-	43,228,115	5,531,532	79,724,233
Assigned	9,832,438	19,010,646	23,141,447	20,194,655	72,179,186
Unassigned	65,246,428	-	-	-	65,246,428
Total fund balances	187,667,789	19,340,334	66,369,594	72,382,587	345,760,304
Total liabilities, deferred inflows and fund balances	\$ 234,534,176	19,347,034	73,778,245	75,677,213	403,336,668

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

(Continued)

Balance Sheet
Governmental Funds
June 30, 2016

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position are different because:

Ending fund balance - governmental funds	\$	345,760,304
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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 note 4 to the financial statements also include assets of \$46,905,165 associated with the internal service funds as indicated below.

Capital assets	1,027,169,837
----------------	---------------

Some of the City's expenses have been incurred but are not yet due until after year-end and, therefore, are deferred in the funds.

Pension contribution made after the measurement date	\$ 20,710,318	
Unamortized deferred loss on refundings	<u>1,665,226</u>	22,375,544

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.

Governmental funds' deferred inflows	37,028,069	
Unamortized difference between actual and projected pension earnings	(22,594,011)	
Unamortized deferred gain on refundings	<u>(1,407,112)</u>	13,026,946

Internal service funds (ISF) 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 Position as detailed below. The total amount included in governmental activities does not include the portion allocable to business-type activities of \$549,822 as noted on Schedule E.

Current assets	41,678,148	
Capital assets	46,905,165	
Deferred outflows	1,570,697	
Liabilities	(1,886,400)	
Unearned revenue	(2,725,498)	
Long-term debt	(34,866,508)	
Deferred inflows	(948,189)	
Net cumulative profit(loss) allocation	<u>549,822</u>	50,277,237

An interfund loan that does not contribute to current financial resources is not reported in governmental fund statements	6,101,303
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Unmatured interest payable reported in governmental activities will not be paid with current financial resources and, therefore, is not reported in the funds.	(4,097,833)
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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 \$34,866,508 associated with the internal service funds as indicated above.

General obligation bonds	(274,392,374)	
Net pension liability (net of ISF)	(112,864,888)	
Net OPEB obligation	(18,403,765)	
Arbitrage rebate and yield restriction	(200,290)	
Compensated absences (net of ISF)	(20,436,785)	
Literary loans	(798,144)	
Installment Purchase Agreement	(1,342,284)	
Supplemental Payments Agreement	(10,100,000)	
Edinburgh Purchase Agreement	<u>(1,946,273)</u>	(440,484,803)

Net position of governmental activities	\$	1,020,128,535
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 299,630,774	-	-	10,056,920	309,687,694
Other local taxes	120,535,371	-	-	8,751,711	129,287,082
Licenses, permits and fees	8,984,478	-	-	-	8,984,478
Fines and forfeitures	2,497,583	-	-	-	2,497,583
Investment income	1,126,533	191,865	354,699	353,701	2,026,798
Revenues from use of property	661,304	54,889	-	237,006	953,199
Charges for services	11,676,408	-	-	10,680,460	22,356,868
Miscellaneous local revenues	482,344	185,920	92,651	3,030,933	3,791,848
Recovered costs	542,955	-	-	1,645,878	2,188,833
Program income	-	-	-	257,538	257,538
Revenues from local developers	-	-	1,062,059	-	1,062,059
Intergovernmental revenues:					
Commonwealth of Virginia	87,783,619	-	6,690,410	22,055,716	116,529,745
Federal government	133,929	-	4,507,661	15,222,356	19,863,946
Federal government - American Reinvestment and Recovery Act	-	892,605	-	-	892,605
Mosquito Control Commission	-	-	1,250,000	-	1,250,000
Chesapeake Public Schools	168,153	67,117	-	-	235,270
Total revenues	534,223,451	1,392,396	13,957,480	72,292,219	621,865,546
EXPENDITURES					
Current:					
General government	101,592,498	-	-	11,373,261	112,965,759
Public safety	85,102,162	-	-	8,670,475	93,772,637
Public works	59,339,632	-	-	-	59,339,632
Parks and recreation	10,333,115	-	-	49,501	10,382,616
Public welfare	-	-	-	46,735,975	46,735,975
Education - payments to public schools	186,660,491	14,009,475	-	-	200,669,966
Capital outlay	3,044,013	-	51,055,854	2,229,569	56,329,436
Debt service	2,060,375	39,459,982	-	-	41,520,357
Total expenditures	448,132,286	53,469,457	51,055,854	69,058,781	621,716,378
Excess (deficiency) of revenues over (under) expenditures	86,091,165	(52,077,061)	(37,098,374)	3,233,438	149,168
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	4,443,249	33,296,378	14,878,419	19,213,991	71,832,037
Transfers to other funds (note 8)	(61,757,276)	-	(354,682)	(9,005,797)	(71,117,755)
VPSA bonds proceeds (note 6)	-	12,170,000	-	-	12,170,000
Premium on VPSA bonds (note 6)	-	1,927,919	-	-	1,927,919
Total other financing sources (uses), net	(57,314,027)	47,394,297	14,523,737	10,208,194	14,812,201
Net change in fund balance	28,777,138	(4,682,764)	(22,574,637)	13,441,632	14,961,369
Fund balance - beginning	158,890,651	24,023,098	88,944,231	58,940,955	330,798,935
Fund balance - ending	\$ 187,667,789	19,340,334	66,369,594	72,382,587	345,760,304

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

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

**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		\$ 14,961,369
<p>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:</p>		
	\$ (36,911,077)	
Depreciation expense	56,329,436	
Capital outlay expenditures	20,611,288	
Donated assets	(1,771,873)	
Noncapitalizable expenses related to closed projects	(11,878)	
Asset transfers	(830,160)	
Disposal of assets	<u>37,415,736</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. Unearned revenues changed by this amount this year.		2,065,458
<p>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:</p>		
	(14,097,919)	
Debt issued (and related costs)	31,191,466	
Principal repayments	<u>17,093,547</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.		
	380,046	
Accrued interest	(1,551,331)	
Compensated absences	11,946,137	
Pension expense	<u>6,546,350</u>	
Net pension liability		17,321,202
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.		(3,214,537)
Interfund loan activity that does not contribute to current financial resources and, therefore, is not reported in the funds.		179,002
Change in net position of governmental activities		\$ 85,821,777

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

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Chesapeake
VIRGINIA

Proprietary Fund Financial Statements

Major Enterprise Funds:

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

Chesapeake Transportation System – To account for the operations of the Chesapeake Expressway and Dominion Boulevard toll roads.

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

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



Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments (note 2)	\$ 84,054,163	1,561,493	10,579,119	96,194,775	37,599,000
Receivables (note 3):					
Accounts	15,264,010	250,136	11,419,362	26,933,508	267,043
Interest	21,808	-	17,587	39,395	37,524
Allowance for uncollectible amounts	(2,035,596)	(36,239)	(199,866)	(2,271,701)	-
Intergovernmental revenues due from:					
Commonwealth of Virginia	-	803,494	478,246	1,281,740	-
Federal government	-	3,213,975	-	3,213,975	-
Inventory of materials and supplies	2,122,311	-	-	2,122,311	340,272
Prepaid expenses	102,032	-	-	102,032	3,434,309
Total current assets	99,528,728	5,792,859	22,294,448	127,616,035	41,678,148
Noncurrent assets:					
Restricted assets:					
Cash and temporary investments with trustee	-	25,049,582	15,352	25,064,934	-
Cash restricted for debt service	5,064,152	-	-	5,064,152	-
Cash restricted for debt service with trustee	4,747,347	13,057,811	-	17,805,158	-
Capital construction:					
Cash and temporary investments	15,892,837	11,137	30,241,905	46,145,879	-
Cash and temporary investments with trustee	2,720,234	6,804,525	-	9,524,759	-
Cash restricted for improvement and redemption	1,000,000	-	-	1,000,000	-
Total restricted assets	29,424,570	44,923,055	30,257,257	104,604,882	-
Capital assets (note 4):					
Land	10,727,890	11,105,618	422,070	22,255,578	-
Intangibles	2,404,375	-	1,337,712	3,742,087	-
Construction in progress	59,735,592	328,651,840	9,054,408	397,441,840	1,838,361
Buildings	102,337	5,389,295	115,934	5,607,566	687,097
Improvements other than buildings	3,747,433	-	60,233	3,807,666	13,082,477
Software, equipment and vehicles	10,007,288	7,076,884	182,602	17,266,774	113,209,846
Infrastructure	574,249,626	82,849,818	27,060,926	684,160,370	77,584
Less accumulated depreciation	(227,477,622)	(67,105,853)	(6,818,607)	(301,402,082)	(81,990,200)
Total capital assets, net of accumulated depreciation	433,496,919	367,967,602	31,415,278	832,879,799	46,905,165
Total noncurrent assets	462,921,489	412,890,657	61,672,535	937,484,681	46,905,165
Total assets	562,450,217	418,683,516	83,966,983	1,065,100,716	88,583,313
Deferred Outflows of Resources (note 5)	3,681,096	379,672	624,072	4,684,840	1,570,697
Total assets and deferred outflows of resources	\$ 566,131,313	419,063,188	84,591,055	1,069,785,556	90,154,010
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable (note 3)	\$ 2,849,619	36,997	266,634	3,153,250	1,886,395
Accrued expenses and other liabilities (notes 3 and 6)	1,964,947	2,377,444	-	4,342,391	5
Deposits (note 3)	1,053,422	-	-	1,053,422	-
Unearned revenues	1,094,253	-	-	1,094,253	2,725,498
Due to other funds (note 8)	-	5,982,642	-	5,982,642	-
Construction projects payable (note 3)	1,418,272	3,015,202	1,226,220	5,659,694	-
Current portion of long-term debt (note 6)	6,695,771	308,242	-	7,004,013	-
Current portion of accrued vacation, sick pay and overtime leave (note 6)	433,552	47,190	110,246	590,988	233,240
Current portion of liability for self-insurance losses (notes 6 and 15)	-	-	-	-	8,508,930
Total current liabilities	15,509,836	11,767,717	1,603,100	28,880,653	13,354,068
Noncurrent liabilities:					
Unearned revenues	211,473	-	-	211,473	-
General obligation bonds (note 6)	77,684,482	-	-	77,684,482	-
Revenue bonds (note 6)	31,690,000	271,877,964	-	303,567,964	-
Due to Commonwealth of Virginia (note 6)	-	66,242,029	-	66,242,029	-
Advances from other funds (note 8)	-	6,101,303	-	6,101,303	-
Accrued vacation, sick pay and overtime leave (note 6)	594,925	57,836	149,537	802,298	317,895
Liability for self-insurance losses (notes 6 and 15)	-	-	-	-	20,963,819
Net pension liability	6,392,790	875,379	2,473,085	9,741,254	4,842,624
Total noncurrent liabilities	116,573,670	345,154,511	2,622,622	464,350,803	26,124,338
Total liabilities	132,083,506	356,922,228	4,225,722	493,231,456	39,478,406
Deferred Inflows of Resources (note 5)	1,251,712	171,399	8,249,717	9,672,828	948,189
Net Position					
Net investment in capital assets	322,361,243	20,534,119	31,415,278	374,310,640	46,905,165
Restricted for:					
Capital projects	-	6,804,525	6,250,000	13,054,525	-
Debt service	7,969,645	25,452,017	-	33,421,662	-
Other purposes - Expendable:					
Public Utilities Fund	102,465,207	-	-	102,465,207	-
Chesapeake Transportation System Fund	-	12,655,376	-	12,655,376	-
Stormwater Management Fund	-	-	34,450,338	34,450,338	-
Unrestricted (deficit)	-	(3,476,476)	-	(3,476,476)	2,822,250
Total net position	432,796,095	61,969,561	72,115,616	566,881,272	49,727,415
Total liabilities, deferred inflows and net position	\$ 566,131,313	419,063,188	84,591,055	1,069,785,556	90,154,010
				566,881,272	
				(549,822)	
				<u>566,331,450</u>	

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

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2016

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
OPERATING REVENUES					
Licenses, permits and fees	\$ -	-	245,768	245,768	-
Charges for services:					
Sale of water	38,719,385	-	-	38,719,385	-
Billings to departments	-	-	-	-	46,108,460
Billings to outside agencies and component units	-	-	-	-	1,578,497
Sewer service charges	27,329,070	-	-	27,329,070	-
Stormwater management fees	-	-	15,406,219	15,406,219	-
Tolls and tickets	-	11,835,168	-	11,835,168	-
Rental fees	1,021,390	-	-	1,021,390	233,543
Connection fees	4,289,133	-	-	4,289,133	-
Miscellaneous	408,396	73,345	9,996	491,737	16,255
Recovered costs	128,424	30,129	-	158,553	610,972
Total operating revenues	71,895,798	11,938,642	15,661,983	99,496,423	48,547,727
OPERATING EXPENSES					
Cost of materials billed	-	-	-	-	3,496,818
Purchases for resale	17,593,252	-	-	17,593,252	2,307,430
Water production	8,043,605	-	-	8,043,605	-
Sewer maintenance and operation	5,630,511	-	-	5,630,511	-
Water maintenance and operation	2,939,003	-	-	2,939,003	-
Customer service	2,336,303	-	-	2,336,303	-
General and administrative	2,041,163	263,247	1,386,418	3,690,828	730,625
Technical services	1,416,129	-	-	1,416,129	-
Other salaries and wages	-	1,174,028	2,980,018	4,154,046	5,457,569
Other fringe benefits	-	435,672	1,294,582	1,730,254	1,946,643
Self-insurance losses	-	-	4,392	4,392	4,973,189
Indemnity and medical claims	-	-	-	-	16,109,605
Other repairs and supplies	-	445,989	274,341	720,330	4,761,999
Equipment rental	-	2,628	23,483	26,111	7,950
Other contractual services	-	1,577,655	3,400,158	4,977,813	2,258,935
Depreciation and amortization	14,802,600	4,120,744	821,540	19,744,884	9,447,854
Insurance premiums	-	-	-	-	2,171,723
Meter reading services	360,429	-	-	360,429	-
Other	2,050	32,913	-	34,963	-
Total operating expenses	55,165,045	8,052,876	10,184,932	73,402,853	53,670,340
Operating income (loss)	16,730,753	3,885,766	5,477,051	26,093,570	(5,122,613)
NONOPERATING REVENUES (EXPENSES)					
Investment income	434,948	145,417	206,021	786,386	185,820
Interest expense	(2,943,547)	(902,913)	-	(3,846,460)	-
Gain on sale of equipment	1,400	-	-	1,400	253,573
Loss on sale of equipment	(1,975,034)	(43,936)	(1,393,907)	(3,412,877)	(667,137)
Federal grants	-	-	25,000	25,000	-
Build America Bonds subsidy reimbursement - American Reinvestment and Recovery Act	608,430	-	-	608,430	-
Total nonoperating revenues (expenses), net	(3,873,803)	(801,432)	(1,162,886)	(5,838,121)	(227,744)
Income (loss) before transfers and contributions	12,856,950	3,084,334	4,314,165	20,255,449	(5,350,357)
Transfers in (note 8)	-	-	-	-	600,000
Transfers out (note 8)	-	-	-	-	(1,330,744)
Capital contributions	7,759,343	4,715,700	478,246	12,953,289	6,566,728
Increase (decrease) in net position	20,616,293	7,800,034	4,792,411	33,208,738	485,627
Total net position - beginning	412,179,802	54,169,527	67,323,205	533,672,534	49,241,788
Total net position - ending	\$ 432,796,095	61,969,561	72,115,616	566,881,272	49,727,415

Change in net position of enterprise funds, Schedule F	\$ 33,208,738
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	165,049
Change in net position of business-type activities, Schedule B	<u>\$ 33,373,787</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds				Internal Service Funds
	Public Utilities	Chesapeake Transportation System	Stormwater Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 72,147,424	12,102,684	15,124,893	99,375,001	51,259,295
Payments to suppliers	(27,616,787)	(2,332,372)	(5,359,839)	(35,308,998)	(35,669,505)
Payments to employees	(12,250,909)	(1,686,667)	(4,497,529)	(18,435,105)	(7,785,539)
Net cash provided by (used in) operating activities	32,279,728	8,083,645	5,267,525	45,630,898	7,804,251
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	600,000
Transfers out	-	-	-	-	(1,330,744)
Proceeds from operating grants	-	-	25,000	25,000	-
Net cash provided by (used in) noncapital financing activities	-	-	25,000	25,000	(730,744)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(10,171,673)	(41,319,666)	(4,661,506)	(56,152,845)	(4,218,601)
Proceeds from Federal government	608,430	-	-	608,430	-
Proceeds from revenue bonds	-	50,453,464	-	50,453,464	-
Proceeds from sale of capital assets	1,401	-	-	1,401	(408,751)
Principal payment of long-term debt	(6,790,000)	179,001	-	(6,610,999)	-
Construction of capital assets	793,138	(2,066,270)	1,198,753	(74,379)	-
Interest paid	(5,042,931)	(5,366,153)	-	(10,409,084)	-
Due to other funds	-	(7,600,166)	-	(7,600,166)	-
Net cash provided by (used in) capital and related financing activities	(20,601,635)	(5,719,790)	(3,462,753)	(29,784,178)	(4,627,352)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	433,276	145,417	201,968	780,661	179,390
Net cash provided by investing activities	433,276	145,417	201,968	780,661	179,390
Net increase (decrease) in cash and temporary investments	12,111,369	2,509,272	2,031,740	16,652,381	2,625,545
Cash and temporary investments beginning of year	101,367,364	43,975,276	38,804,636	184,147,276	34,973,455
Cash and temporary investments end of year	\$ 113,478,733	46,484,548	40,836,376	200,799,657	37,599,000
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 16,730,753	3,885,766	5,477,051	26,093,570	(5,122,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	14,802,600	4,120,744	821,540	19,744,884	9,447,854
Pension expense	(665,265)	(59,953)	(222,023)	(947,241)	(381,068)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	247,575	164,042	(621,840)	(210,223)	(13,930)
Prepaid expenses and other assets	(38,676)	-	-	(38,676)	(134,798)
Inventory of materials and supplies	46,960	-	-	46,960	46,547
Accounts payable	319,006	(9,940)	(259,544)	49,522	302,938
Deposits	134,509	-	-	134,509	-
Unearned revenue	(130,458)	-	-	(130,458)	2,725,498
Deferred inflows	-	-	84,750	84,750	-
Accrued expenses and other liabilities	764,316	(4,106)	(11,503)	748,707	(11,142)
Liability for self insurance losses	-	-	-	-	934,082
Accrued vacation, sick pay and overtime leave	68,408	(12,908)	(906)	54,594	10,883
Total adjustments	15,548,975	4,197,879	(209,526)	19,537,328	12,926,864
Net cash provided by (used in) operating activities	\$ 32,279,728	8,083,645	5,267,525	45,630,898	7,804,251
Supplemental information on significant noncash transactions:					
Contributions of capital assets:					
Public Utilities Fund	\$ 7,759,343				
Chesapeake Transportation Fund		4,715,700			
Stormwater Fund			478,246		
Internal Service Funds					6,566,728

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

Fiduciary Fund Financial Statements

Agency Fund – Includes Special Welfare Fund.

Trust Fund – Includes Other Postemployment Benefits Fund.



Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	<u>Agency Special Welfare</u>	<u>Other Postemployment Benefits Trust</u>
ASSETS		
Cash and temporary investments (note 2)	\$ 8,685	-
Investments with trustee, at fair value (note 2)		
Stocks	-	41,554,811
Taxable bonds	-	29,914,552
Total assets	\$ 8,685	71,469,363
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	\$ -	45,343
Due to children under foster care	8,685	-
Total liabilities	8,685	45,343
Net Position		
Held in trust for other postemployment benefits	-	71,424,020
Total liabilities and net position	\$ 8,685	71,469,363

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Year Ended June 30, 2016

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions from employer (note 11)	\$ 6,699,350
Contributions from plan members (note 11)	1,919,547
Investment income:	
Interest and dividend income	1,538,387
Net appreciation (depreciation) in fair value of investments	(30,480)
Less investment expenses	159,421
Net investment income	1,348,486
Total additions	9,967,383
DEDUCTIONS	
Administrative expenses	24,100
Benefits and refunds paid on behalf of plan members and beneficiaries	5,120,042
Total deductions	5,144,142
Change in net position	4,823,241
Held in trust for other postemployment benefits - beginning of year	66,600,779
Held in trust for other postemployment benefits - end of year	\$ 71,424,020

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

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Chesapeake
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Other Discretely Presented Component Units

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

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

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

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

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



Combining Statement of Net Position
Other Discretely Presented Component Units
June 30, 2016

	Governmental Activities		Business-type Activities				Total
	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc.		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Assets							
Current assets:							
Cash and temporary investments (note 2)	\$ 3,247,338	4,788,124	28,607	665,134	937,998	9,667,201	
Receivables, net of allowance for uncollectible amounts	-	13,277	-	32,773	11,247	57,297	
Inventories	241,772	12,267,272	-	-	-	12,509,044	
Prepaid expenses	123,586	-	-	-	7,147	130,733	
Total current assets	3,612,696	17,068,673	28,607	697,907	956,392	22,364,275	
Capital assets:							
Land	530,778	-	-	2,175,164	448,707	3,154,649	
Buildings	2,620,364	-	-	-	1,256,476	3,876,840	
Improvements other than buildings	14,897	-	-	19,500,956	37,001	19,552,854	
Software, equipment and vehicles	1,586,613	-	-	249,030	-	1,835,643	
Less accumulated depreciation	(2,058,666)	-	-	(14,192,613)	(557,825)	(16,809,104)	
Total capital assets, net of accumulated depreciation	2,693,986	-	-	7,732,537	1,184,359	11,610,882	
Total assets	6,306,682	17,068,673	28,607	8,430,444	2,140,751	33,975,157	
Deferred Outflows of Resources (note 5)	144,060	-	-	-	-	144,060	
Total assets and deferred outflows of resources	\$ 6,450,742	17,068,673	28,607	8,430,444	2,140,751	34,119,217	
LIABILITIES, DEFERRED INFLOWS AND NET POSITION							
Liabilities							
Accounts payable and accrued expenses	\$ 28,675	208,783	17,890	55,424	-	310,772	
Unearned revenues	-	-	-	29,845	-	29,845	
Other liabilities	12	-	-	-	2,838	2,850	
Due to primary government	-	1,319,095	944,407	223,100	-	2,486,602	
Current portion of long-term debt	-	-	-	90,000	-	90,000	
Long term liabilities	785,081	-	-	815,000	-	1,600,081	
Total liabilities	813,768	1,527,878	962,297	1,213,369	2,838	4,520,150	
Deferred Inflows of Resources (note 5)	880,996	-	-	-	-	880,996	
Net Position							
Net investment in capital assets	2,693,986	-	-	6,604,437	1,184,359	10,482,782	
Restricted	-	-	-	210,319	340,614	550,933	
Unrestricted (deficit)	2,061,992	15,540,795	(933,690)	402,319	612,940	17,684,356	
Total net position	4,755,978	15,540,795	(933,690)	7,217,075	2,137,913	28,718,071	
Total liabilities, deferred inflows and net position	\$ 6,450,742	17,068,673	28,607	8,430,444	2,140,751	34,119,217	

Combining Statement of Activities
 Other Discretely Presented Component Units
 Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position					Total
		Charges for Services	Operating Grants and Contributions	Chesapeake Mosquito Control Commission	Economic Development Authority	Chesapeake Port Authority	Chesapeake Airport Authority	Elizabeth River Properties of Chesapeake, Inc	
Governmental Type Activities									
Chesapeake Mosquito Control Commission	\$ 5,181,759	-	4,162,048	(1,019,711)	-	-	-	-	(1,019,711)
Business-type Activities									
Economic Development Authority	3,322,203	-	3,982,291	-	660,088	-	-	-	660,088
Chesapeake Port Authority	46,795	39,722	10,160	-	-	3,087	-	-	3,087
Chesapeake Airport Authority	1,340,246	434,638	976,006	-	-	-	70,398	-	70,398
Elizabeth River Properties of Chesapeake, Inc	223,076	111,979	41,893	-	-	-	-	(69,204)	(69,204)
Total component units	\$ 10,114,079	586,339	9,172,398	(1,019,711)	660,088	3,087	70,398	(69,204)	(355,342)
	Change in net position			\$ (1,019,711)	660,088	3,087	70,398	(69,204)	(355,342)
	Net position - beginning			5,775,689	14,880,707	(936,777)	7,146,677	2,207,117	29,073,413
	Net position - ending			\$ 4,755,978	15,540,795	(933,690)	7,217,075	2,137,913	28,718,071

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Chesapeake
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Notes to Basic Financial Statements



(1) Summary of Significant Accounting Policies***The Reporting Entity***

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

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

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

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

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

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

- The Chesapeake Airport Authority (the Airport Authority) was established by action of the General Assembly to operate the Chesapeake Airport and its ancillary operations. The City Council appoints the members of the Board of the Airport Authority, appropriates funds annually to pay administrative expenses of the Authority and funds operating deficits as necessary. The City has also provided the Airport Authority with a loan which is still outstanding. In addition, the Airport Authority issued revenue bonds for which the City has a non-binding obligation to appropriate sufficient funds if a deficit exists in the debt service reserve account for these bonds. Separate audited financial statements are available from the Chesapeake Airport Authority at 1777 West Road, Chesapeake, Virginia 23323.
- The Chesapeake Port Authority (the Port Authority) was established by action of the General Assembly to promote trade and commerce in the City and the Commonwealth and to develop adequate, modern and efficient seaports and harbors. The City Council appoints the members of the Board of the Port Authority and appropriates funds annually to pay administrative expenses of the Port Authority. The Port Authority does not issue separate audited financial statements.
- The Chesapeake Mosquito Control Commission (the Commission) manages the City's insecticide program. The Commission has seven appointed commissioners. The City finances the operations of the Commission through incremental property taxes of \$.01 per \$100 of assessed value for real estate properties and \$.08 per \$100 of assessed value for personal property. Although it is legally separate, the Commission is fiscally dependent on the City. The Commission does not issue separate audited financial statements.
- Elizabeth River Properties of Chesapeake, Inc. (ERPC) is a not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. ERPC provides housing for individuals served by Chesapeake Integrated Behavioral Healthcare (CIBH). The Board of Directors of CSBC, Inc., whose members are appointed by City Council, appoints the members of the Board of ERPC and appropriates funds annually to provide rental assistance to individuals served by CIBH. The CSBC, Inc. Board has also transferred funds to ERPC to be used for the purchase of additional residences for its use. Separate audited financial statements are available through the CIBH at 224 Great Bridge Boulevard, Chesapeake, Virginia 23320.

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 holding bank had the option to require prepayment in 2014 so, as a result, the City issued general obligation bonds prior to that time to retire the remainder of the original bonds. 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.

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

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

Government-wide and Fund Financial Statements

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

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

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

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

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.

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

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

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

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

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

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 Transportation System Fund* accounts for the operation of the Chesapeake Expressway toll road and related construction projects and for the Dominion Boulevard improvement project.

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

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

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, accounting for cash proffers provided by developers for specific purposes 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.

Fiduciary funds:

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

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

Notes to Basic Financial Statements
June 30, 2016

(1) Continued

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.

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 Position 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 and for construction projects.

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

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

Receivables and Payables

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

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

Provisions for uncollectible advances to component units are based upon the terms of the notes, which are non-interest bearing, unsecured with the City.

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

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

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, 2015, less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2016 was \$1.04 per \$100 of assessed value with an additional \$.01 per \$100 of assessed value for mosquito control services.

Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are made each year as of January 1 with payment due the following June 5. The current year personal property taxes reported as revenue are the levies on assessed valuation at January 1, 2016 less an allowance for uncollectible amounts and taxes not collected within 45 days after year end. The tax rate for 2015 was \$4.00 per \$100 of assessed value with an additional \$.08 per \$100 of assessed value for mosquito control services.

Inventories and Prepaids

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

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.

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are measured at acquisition 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 the projects are constructed including applicable capitalized interest.

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

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

Vacation, Sick Pay, Paid Time Off and Accrued Overtime Leave

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until that time. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that time.

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

Long-term Obligations

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

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

Encumbrances

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year end. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Fund balances in the fund financial statements at year end reflect the encumbrances as commitments.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Fund Balances

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

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

Notes to Basic Financial Statements
June 30, 2016

(1) **Continued**

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes that are neither considered restricted nor committed. These amounts can be assigned either by any action of the governing board or by designees with authority to assign. Amounts can be unassigned by the same process. Per the City's policy, the City Manager (or his designee) has the authority to assign amounts of a fund balance to promote sound financial operations of the City or to meet future obligations.

In governmental funds other than the General Fund, assigned fund balance represents the remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed.

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

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

Minimum Fund Balance Policy

The City Charter requires that a minimum of 6% of specified revenues of the General Fund and Special Revenue funds be restricted for emergency use and cash flow needs, which may occur throughout the fiscal year. In addition, the City shall budget for 12% of these same revenues as unassigned fund balance in the General Fund in order to maintain the policy requirement of a minimum 10% as adopted by resolution of City Council on June 10, 2014.

Notes to Basic Financial Statements
June 30, 2016

(2) **Deposits and Investments**

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50.0% to 130.0% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The carrying value of pooled deposits, as of June 30, 2016 is \$177,734,916 including petty cash of \$43,460 and cash in the special welfare fiduciary fund of \$8,685. Cash of \$520,509 is being held by the Commonwealth of Virginia.

Investments

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

Fair Value Measurements:

The City categorizes its investments (non-restricted) by fair value measurements within the fair value hierarchy established by the accounting principles generally accepted in the United States of America (GAAP). These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets.
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

Notes to Basic Financial Statements
June 30, 2016

(2) Continued

Investments by Fair Value Level and Amortized Cost at year end are shown below:

Investments by Fair Value Level (Market Approach)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Debt Securities:			
U.S. Treasury Notes	\$ 6,007,080	-	6,007,080
Federal Agency Coupon Securities	-	47,013,613	47,013,613
Federal Agency Discount-Amortizing	-	11,803,680	11,803,680
Corporate Notes	-	16,070,590	16,070,590
Taxable Municipal Bonds	-	1,511,680	1,511,680
Certificates of Deposit	-	67,690,733	67,690,733
Commercial Paper Discount-Amortizing	-	95,163,148	95,163,148
Total investments by fair value level (a)	6,007,080	239,253,444	245,260,524
Investments measured at Amortized Cost (Book Value)			
Money Market Fund	106,743,920	-	106,743,920
U.S. Treasury Notes	9,997,284	-	9,997,284
U.S. Treasury Bills	2,990,100	-	2,990,100
Federal Agency Coupon Securities	-	74,253,759	74,253,759
Federal Agency Discount-Amortizing	-	5,959,650	5,959,650
Taxable Municipal Bonds	-	2,419,699	2,419,699
Non-taxable Municipal Bonds	-	770,000	770,000
Total investments at amortized cost (b)	119,731,304	83,403,108	203,134,412
Total Pool and Directed Investments (a+b)	\$ 125,738,384	322,656,552	448,394,936

Notes to Basic Financial Statements
June 30, 2016

(2) **Continued**

Credit Risk

Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented at the end of this footnote are the specifically identified investment ratings as of June 30, 2016.

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City's 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's investment policy requires that its portfolio be diversified with not more than 5.0% of the value of the portfolio invested in securities of any single issuer, excluding securities of the U.S. Government or agency thereof, government-sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.

At June 30, 2016, the City was holding certificates of deposit in TowneBank of \$67,690,733 (including \$2,690,733 in Monarch Bank) which represented 13.4% of the City's total investments. The City held no other investments by any one issuer that represented over 5.0% 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 five years.

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

Notes to Basic Financial Statements
June 30, 2016

(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.

Foreign Currency Risk

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

Amounts Relating to Component Units

The cash and investments of the Public Schools, the Mosquito Control Commission component units and the OPEB fiduciary trust fund have been pooled with the cash and investments of the Primary Government and, therefore, are included in the above information. The remaining component units, with cash and investments amounting to \$6,419,863 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 Position and Statement of Fiduciary Net Position for the reporting entity is as follows:

Deposits and investments:	
Pooled deposits	\$ 177,734,916
State set-aside fund	520,509
Restricted deposits	1,000,000
Investments	453,455,418
Restricted cash and investments	52,221,809
Other Component Units	6,419,863
Total deposits and investments	\$ 691,352,515
Per Schedules A and H:	
Cash and temporary investments	\$ 424,077,945
Cash and temporary investments with trustee	96,534,297
Cash restricted for debt service	5,064,152
Cash restricted for debt service with trustee	17,805,158
Cash with state set-aside	520,509
Cash restricted for Public Utilities improvement and redemption	1,000,000
Investment - zero coupon bond	1,012,472
Capital construction - cash and temporary investments	135,813,191
Capital construction - cash and temporary investments with trustee	9,524,791
Total cash and temporary investments per Schedules A and H	\$ 691,352,515

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(2) Continued

Investments by type and rating at year-end are shown below:

	Amount	Rating	Weighted Average Maturity	
Investments:				
Bank Money Market Accounts	\$ 29,882,600	AAA	0.1	
Commercial Paper	95,163,148	AAA	52.4	
U.S. Government-Sponsored Coupon Securities	1,022,630	AAA	0.7	
U.S. Government-Sponsored Coupon Securities	120,301,030	AA+	85.6	
U.S. Government-Sponsored Coupon Securities - Discounts	14,499,333	AAA	17.2	
U.S. Government-Sponsored Coupon Securities - Discounts	3,291,057	AA+	3.9	
Corporate Notes	6,023,760	AAA	7.8	
Corporate Notes	2,010,960	AA+	2.6	
Corporate Notes	8,035,870	AA-	10.4	
Municipal Bonds - Taxable	2,688,470	AA+	1.7	
Municipal Bonds - Taxable	751,337	AA-	0.5	
Municipal Bonds - Taxable	500,010	AA2	0.3	
Municipal Bonds - Non Taxable	772,121	AAA	0.3	
U.S. Treasury Coupon Securities	16,018,340	AAA	11.3	
U.S. Treasury Coupon Securities Discounts	2,993,880	AAA	1.5	
Local Government Investment Pool	58,602,816	AAA	0.1	
OPEB - Irrevocable Trust at Local Government Investment Pool	6,110	AAA	0.0	
Virginia State Non-Arbitrage Program	18,164,781	AAA	2.5	
Evergreen Money Market Mutual Fund	93,723	AAA	0.0	
Total Investments	380,821,976			
Restricted investments:				
Money market deposit	2,625,092	Unrated	0.0	
Va State Non-Arbitrage Program (Chesapeake Transportation System, Jail, and VML)	5,425,316	AAA	0.7	
Wells Fargo Advantage Heritage - Money Mkt Institutional (VML)	32	AAA	0.0	
U.S. Government-sponsored discount securities	1,015,515	AAA	0.7	
PFM - SNAP (Virginia State Non-Arbitrage Program)	43,963,920	AAA	6.1	
PFM - SNAP First Americ Treas Oblig Fd - CI D - Toll Road Bonds	362,125	AAA	0.1	
Total Restricted Investments	53,392,000			
Total Investments and Restricted Investments	434,213,976			
Portfolio weighted average maturity			206.46	
Irrevocable Trust:				
OPEB - Diversified Portfolio	71,463,251	Various		
Total	71,463,251			
Total Investments, Restricted Investments and Irrevocable Trust	\$ 505,677,227			
Investment totals by rating:				
AAA	\$ 243,243,243	50,766,908	-	294,010,151
AA+	128,291,516	-	-	128,291,516
AA-	8,787,207	-	-	8,787,207
AA2	500,010	-	-	500,010
Unrated	-	2,625,092	-	2,625,092
Various	-	-	71,463,251	71,463,251
Total	\$ 380,821,976	53,392,000	71,463,251	505,677,227

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(3) Accounts Receivable and Payable

Accounts receivable, net of allowance for uncollectibles, for the Primary Government in the Statement of Net Position as of June 30, 2016 are as follows:

		Governmental Activities	Business-Type Activities
Due from Commonwealth of Virginia	\$	38,902,539	1,281,740
Due from Federal government		2,300,511	3,213,975
Due from customers		4,008,687	24,661,807
Property taxes receivable		32,572,477	-
Interest receivable		343,977	39,395
Other		12,664,134	-
Total accounts receivable	\$	90,792,325	29,196,917

Accounts receivable, net of allowance for uncollectibles, for the discretely presented component units in the Statement of Net Position as of June 30, 2016 are as follows:

		Public Schools	Other
Due from Commonwealth of Virginia	\$	12,038,625	-
Due from Federal government		19,848,989	-
Other		1,779,828	57,297
Total accounts receivable	\$	33,667,442	57,297

Accounts receivable, net of allowance for uncollectibles, in the governmental funds as of June 30, 2016 are as follows:

		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Due from Commonwealth of Virginia	\$	33,465,359	-	3,544,007	1,893,173
Due from Federal government		-	-	305,848	1,994,663
Property taxes receivable		32,572,477	-	-	-
Interest receivable		249,728	55,135	-	1,590
Other		14,544,499	-	-	1,861,279
Total accounts receivable	\$	80,832,063	55,135	3,849,855	5,750,705

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(3) Continued

Property taxes receivable in the General Fund as of June 30, 2016 are as follows:

	Taxes Receivable	Allowance for Uncollectible Amounts	Net Taxes Receivable
Real property	\$ 7,233,250	153,876	7,079,374
Personal property	27,675,393	2,182,290	25,493,103
Total property taxes receivable	\$ 34,908,643	2,336,166	32,572,477

The total allowance for uncollectible receivables in the General Fund is \$5,561,897, which includes a \$2,336,166 allowance for uncollectible taxes, a \$535,429 allowance for uncollectible emergency medical service fees, a \$281,436 allowance for uncollectible vehicle license fees, a \$1,574,866 allowance for uncollectible miscellaneous City invoices and a \$834,000 allowance for the Gateway at SoNo receivable. Provisions have been made for allowances for uncollectible advances to component units for the EDA advance of \$1,319,095 and the Port Authority advance of \$944,407. The allowance for uncollectible accounts in the other governmental funds consists of uncollectible client fees from Chesapeake Integrated Behavior Healthcare in the amount of \$2,309,883 and \$574,308 in the Fee Supported Fund for red light cameras.

Accounts receivable, net of allowance for uncollectibles, in the proprietary funds as of June 30, 2016 are as follows:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Due from customers and others	\$ 13,228,414	213,897	11,219,496	267,043
Interest receivable	21,808	-	17,587	37,524
Due from Commonwealth of Virginia	-	803,494	478,246	-
Due from Federal Government	-	3,213,975	-	-
Total accounts receivable	\$ 13,250,222	4,231,366	11,715,329	304,567

Accounts payable, deposits and accrued expenses for the Primary Government in the Statement of Net Position as of June 30, 2016 are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	\$ 9,486,993	3,153,250
Deposits	3,156,174	1,053,422
Accrued expenses, excluding interest	594,345	-
Accrued interest payable	4,097,833	3,565,998
Other liabilities	789,883	776,393
Construction projects payable	6,214,513	5,659,694
Due to Commonwealth of Virginia	202,354	-
Total accounts payable, deposits and accrued expenses	\$ 24,542,095	14,208,757

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(3) Continued

Accounts payable, deposits and accrued expenses for the discretely presented component units in the Statement of Net Position as of June 30, 2016 are as follows:

		Public Schools	Other
Accounts payable	\$	3,434,736	267,783
Deposits		-	28,374
Accrued expenses		38,831,134	17,453
Claims payable		6,947,128	-
Other liabilities		-	12
Total accounts payable, deposits and accrued expenses	\$	49,212,998	313,622

Accounts payable, deposits and accrued expenditures in the governmental funds as of June 30, 2016 are as follows:

		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds
Accounts payable and deposits	\$	8,288,968	6,700	-	2,461,104
Accrued expenditures, excluding interest		476,624	-	-	117,716
Other liabilities		781,335	-	-	8,548
Construction projects payable		-	-	6,214,513	-
Due to Commonwealth of Virginia		745	-	-	201,609
Total accounts payable, deposits and accrued expenditures	\$	9,547,672	6,700	6,214,513	2,788,977

Accounts payable, deposits and accrued expenses in the proprietary funds as of June 30, 2016 are as follows:

		Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Accounts payable and deposits	\$	2,849,619	36,997	266,634	1,886,395
Accrued expenses, excluding interest		-	-	-	5
Accrued interest payable		1,188,554	2,377,444	-	-
Other Liabilities		776,393	-	-	-
Construction projects payable		1,418,272	3,015,202	1,226,220	-
Total accounts payable, deposits and accrued expenses	\$	6,232,838	5,429,643	1,492,854	1,886,400

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(4) Capital Assets

Capital asset activities for the year ended June 30, 2016 are as follows:

**Primary Government
Governmental activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 50,855,185	5,155,790	(484,476)	55,526,499
Land - School	3,016,081	-	-	3,016,081
Intangibles	275,339,272	9,863,078	-	285,202,350
Construction in progress	70,837,996	52,482,564	(21,078,595)	102,241,965
Construction in progress - ISF	464,800	1,373,561	-	1,838,361
Total capital assets, not being depreciated	400,513,334	68,874,993	(21,563,071)	447,825,256
Capital assets, being depreciated:				
Buildings	212,985,250	-	(608,981)	212,376,269
Buildings - ISF	687,097	-	-	687,097
Buildings - School	398,155,725	-	(242,114)	397,913,611
Improvements other than buildings	32,317,913	1,703,100	-	34,021,013
Improvements other than buildings - ISF	13,082,477	16,462	(16,462)	13,082,477
Software, equipment and vehicles	41,881,392	8,744,492	(5,213,313)	45,412,571
Software, equipment and vehicles - ISF	109,702,815	10,200,396	(6,693,365)	113,209,846
Infrastructure	1,108,361,233	18,314,886	(13,280)	1,126,662,839
Infrastructure - ISF	77,584	-	-	77,584
Total capital assets being depreciated	1,917,251,486	38,979,336	(12,787,515)	1,943,443,307
Less accumulated depreciation for:				
Buildings	(90,558,170)	(5,786,219)	418,447	(95,925,942)
Buildings - ISF	(239,163)	(20,286)	-	(259,449)
Buildings - School	(161,590,987)	(7,796,055)	145,088	(169,241,954)
Improvements other than buildings	(14,232,823)	(1,687,810)	-	(15,920,633)
Improvements other than buildings - ISF	(11,240,099)	(208,571)	-	(11,448,670)
Software, equipment and vehicles	(26,442,023)	(4,567,527)	1,592,620	(29,416,930)
Software, equipment and vehicles - ISF	(66,943,655)	(9,213,844)	5,899,924	(70,257,575)
Infrastructure	(907,636,830)	(17,073,466)	12,394	(924,697,902)
Infrastructure - ISF	(19,353)	(5,153)	-	(24,506)
Total accumulated depreciation	(1,278,903,103)	(46,358,931)	8,068,473	(1,317,193,561)
Total capital assets being depreciated, net	638,348,383	(7,379,595)	(4,719,042)	626,249,746
Capital assets, net	\$ 1,038,861,717	61,495,398	(26,282,113)	1,074,075,002

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(4) Continued

Governmental Activities capital assets, net of accumulated depreciation, at June 30, 2016 are comprised of the following:

General Government Capital Assets, net	\$ 1,027,169,837
Internal Service Fund Capital Assets, net	46,905,165
Total	\$ 1,074,075,002

Depreciation expense for governmental activities was charged to functions of the Primary Government for the year ended June 30, 2016 as follows:

General government	\$ 8,621,310
Public safety	1,327,262
Public works	1,755,775
Parks and recreation	206,408
Public welfare	130,801
Education	7,796,055
Net unallocated portion (depreciation of general infrastructure assets)	17,073,466
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	9,447,854
Total depreciation expense, governmental activities	\$ 46,358,931

Depreciation and amortization expense, net unallocated portion, for governmental activities of \$15,331,944 includes the unallocated portion of depreciation expense noted above of \$17,073,466 net of amortization of deferred bond premiums and refunding costs of \$1,741,522.

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

Function	Project Authorization	Expended to June 30, 2016	Committed	Required Future Financing
General government	\$ 112,274,734	46,399,900	65,874,834	none
Public safety	91,126,108	23,241,796	67,884,312	none
Public works	72,779,848	28,512,256	44,267,592	none
Parks	9,723,558	5,926,374	3,797,184	none
Education	1,345,033	-	1,345,033	none
Total	\$ 287,249,281	104,080,326	183,168,955	

The construction in progress consists of \$100,425,873 from capital projects, \$150,695 from grants and \$1,665,397 from operating funds and \$1,838,361 from internal service funds.

Notes to Basic Financial Statements
June 30, 2016

(4) Continued**Business-type activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 22,255,578	-	-	22,255,578
Intangibles	3,613,039	129,048	-	3,742,087
Construction in progress	339,030,398	66,796,179	(8,384,737)	397,441,840
Total capital assets, not being depreciated	364,899,015	66,925,227	(8,384,737)	423,439,505
Capital assets, being depreciated:				
Buildings	5,578,827	28,739	-	5,607,566
Improvements other than buildings	3,643,023	181,880	(17,237)	3,807,666
Software, equipment and vehicles	15,259,041	5,178,807	(3,171,074)	17,266,774
Infrastructure	673,187,544	13,336,698	(2,363,872)	684,160,370
Total capital assets, being depreciated	697,668,435	18,726,124	(5,552,183)	710,842,376
Less accumulated depreciation for:				
Buildings	(1,859,234)	(146,560)	-	(2,005,794)
Improvements other than buildings	(1,056,073)	(89,643)	16,735	(1,128,981)
Software, equipment and vehicles	(9,945,473)	(1,157,166)	162,303	(10,940,336)
Infrastructure	(270,203,847)	(19,083,391)	1,960,267	(287,326,971)
Total accumulated depreciation	(283,064,627)	(20,476,760)	2,139,305	(301,402,082)
Total capital assets being depreciated, net	414,603,808	(1,750,636)	(3,412,878)	409,440,294
Capital assets, net	\$ 779,502,823	65,174,591	(11,797,615)	832,879,799

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

Public Utilities Fund	\$ 15,254,306
Chesapeake Transportation System	4,400,914
Stormwater Management Fund	821,540
Total depreciation expense, business-type activities	\$ 20,476,760

Depreciation and amortization expense for business-type activities of \$19,744,884 includes unallocated portion of depreciation expense noted above of \$20,476,760 net of amortization of deferred bond premiums and refunding costs of \$731,876.

The estimated cost to complete the construction in progress of the business-type activities amounted to approximately \$180.9 million at June 30, 2016. There was \$12,475,707 of capitalized interest incurred this fiscal year related to construction in progress.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(4) Continued**Public Utilities Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 10,727,890	-	-	10,727,890
Intangibles	2,345,309	59,066	-	2,404,375
Construction in progress	55,326,973	9,304,001	(4,895,382)	59,735,592
Total capital assets, not being depreciated	68,400,172	9,363,067	(4,895,382)	72,867,857
Capital assets, being depreciated:				
Buildings	73,598	28,739	-	102,337
Improvements other than buildings	3,582,790	181,880	(17,237)	3,747,433
Software, equipment and vehicles	8,107,266	3,608,050	(1,708,028)	10,007,288
Infrastructure	564,892,846	11,720,652	(2,363,872)	574,249,626
Total capital assets, being depreciated	576,656,500	15,539,321	(4,089,137)	588,106,684
Less accumulated depreciation for:				
Buildings	(42,279)	(2,054)	-	(44,333)
Improvements other than buildings	(1,050,767)	(86,620)	16,735	(1,120,652)
Software, equipment and vehicles	(3,989,438)	(872,021)	137,100	(4,724,359)
Infrastructure	(209,254,934)	(14,293,611)	1,960,267	(221,588,278)
Total accumulated depreciation	(214,337,418)	(15,254,306)	2,114,102	(227,477,622)
Total capital assets being depreciated, net	362,319,082	285,015	(1,975,035)	360,629,062
Capital assets, net	\$ 430,719,254	9,648,082	(6,870,417)	433,496,919

The construction in progress consists of \$51,683,777 from capital projects, \$7,933,728 from capitalized interest and \$118,087 from operating funds.

Notes to Basic Financial Statements
June 30, 2016

(4) Continued**Chesapeake Transportation System Fund:**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 11,105,618	-	-	11,105,618
Construction in progress	276,230,588	52,889,040	(467,788)	328,651,840
Total capital assets, not being depreciated	287,336,206	52,889,040	(467,788)	339,757,458
Capital assets, being depreciated:				
Buildings	5,389,295	-	-	5,389,295
Software, equipment and vehicles	6,969,173	176,850	(69,139)	7,076,884
Infrastructure	82,849,818	-	-	82,849,818
Total capital assets, being depreciated	95,208,286	176,850	(69,139)	95,315,997
Less accumulated depreciation for:				
Buildings	(1,795,413)	(134,732)	-	(1,930,145)
Software, equipment and vehicles	(5,813,535)	(272,588)	25,203	(6,060,920)
Infrastructure	(55,121,194)	(3,993,594)	-	(59,114,788)
Total accumulated depreciation	(62,730,142)	(4,400,914)	25,203	(67,105,853)
Total capital assets being depreciated, net	32,478,144	(4,224,064)	(43,936)	28,210,144
Capital assets, net	\$ 319,814,350	48,664,976	(511,724)	367,967,602

The construction in progress consists of \$298,474,239 from capital projects and \$30,177,601 from capitalized interest.

Notes to Basic Financial Statements
June 30, 2016

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 422,070	-	-	422,070
Intangibles	1,267,730	69,982	-	1,337,712
Construction in progress	7,472,837	4,603,138	(3,021,567)	9,054,408
Total capital assets, not being depreciated	9,162,637	4,673,120	(3,021,567)	10,814,190
Capital assets, being depreciated:				
Buildings	115,934	-	-	115,934
Improvements other than buildings	60,233	-	-	60,233
Software, equipment and vehicles	182,602	1,393,907	(1,393,907)	182,602
Infrastructure	25,444,880	1,616,046	-	27,060,926
Total capital assets, being depreciated	25,803,649	3,009,953	(1,393,907)	27,419,695
Less accumulated depreciation for:				
Buildings	(21,542)	(9,774)	-	(31,316)
Improvements other than buildings	(5,306)	(3,023)	-	(8,329)
Software, equipment and vehicles	(142,500)	(12,557)	-	(155,057)
Infrastructure	(5,827,719)	(796,186)	-	(6,623,905)
Total accumulated depreciation	(5,997,067)	(821,540)	-	(6,818,607)
Total capital assets being depreciated, net	19,806,582	2,188,413	(1,393,907)	20,601,088
Capital assets, net	\$ 28,969,219	6,861,533	(4,415,474)	31,415,278

Notes to Basic Financial Statements
June 30, 2016

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

	Beginning Balances, as restated (Note 17)	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,277,065	-	-	17,277,065
Construction in progress	11,779,418	12,491,024	(11,786,567)	12,483,875
Total capital assets, not being depreciated	29,056,483	12,491,024	(11,786,567)	29,760,940
Capital assets, being depreciated:				
Buildings	198,269,550	3,205,891	-	201,475,441
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	64,627,705	6,912,651	(3,551,061)	67,989,295
Textbooks	12,610,786	737,986	(2,727,949)	10,620,823
Total capital assets, being depreciated	281,112,271	10,856,528	(6,279,010)	285,689,789
Less accumulated depreciation for:				
Buildings	(20,477,271)	(3,877,754)	-	(24,355,025)
Building improvements	(3,867,186)	(158,528)	-	(4,025,714)
Furniture and equipment	(48,455,629)	(2,997,575)	2,968,000	(48,485,204)
Textbooks	(5,415,901)	(2,522,154)	2,727,949	(5,210,106)
Total accumulated depreciation	(78,215,987)	(9,556,011)	5,695,949	(82,076,049)
Total capital assets being depreciated, net	202,896,284	1,300,517	(583,061)	203,613,740

Depreciation expense was charged to governmental functions for the year ended June 30, 2016 as follows:

Instruction	\$ 7,471,272
Administration	47,300
Pupil transportation	1,672,397
Operations and maintenance	65,652
School technology services	292,499
Food services	6,891
Total depreciation expense, governmental activities	\$ 9,556,011

At June 30, 2016, the Schools had contractual commitments of approximately \$6.4 million for work remaining to be performed under capital projects.

Notes to Basic Financial Statements
June 30, 2016

(5) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent costs that have been incurred but have not yet been matched with the period to which they belong.

Deferred outflows of resources for the Primary Government in the Statement of Net Position as of June 30, 2016 are as follows:

	Governmental Activities	Business-type Activities
Pension	\$ 21,598,923	1,787,486
Pension - change in allocation basis	682,092	555,145
Unamortized deferred loss on refundings	1,665,226	2,342,209
Total deferred outflows of resources	\$ 23,946,241	4,684,840

Deferred outflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2016 are as follows:

	Public Schools	Other
Pension	\$ 32,980,696	144,060
Total deferred outflows of resources	\$ 32,980,696	144,060

Deferred outflows of resources in the proprietary funds as of June 30, 2016 are comprised of the following:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	\$ 1,173,055	160,629	453,802	888,605
Pension - change in allocation basis	277,089	107,786	170,270	682,092
Unamortized deferred loss on refundings	2,230,952	111,257	-	-
Total deferred outflows of resources	\$ 3,681,096	379,672	624,072	1,570,697

Notes to Basic Financial Statements
June 30, 2016

(5) Continued

Deferred inflows of resources represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Deferred inflows of resources for the Primary Government in the Statement of Net Position as of June 30, 2016 are as follows:

	Governmental Activities	Business-type Activities
Pension	\$ 23,047,187	1,907,342
Pension - change in allocation basis	495,013	-
Unamortized deferred gain on refundings	1,407,112	-
Stormwater management fees	-	7,765,486
Total deferred inflows of resources	\$ 24,949,312	9,672,828

Deferred inflows of resources for the discretely presented component units in the Statement of Net Position as of June 30, 2016 are as follows:

	Public Schools	Other
Pension	\$ 29,595,000	153,720
Pension - change in allocation basis	-	727,276
Total deferred inflows of resources	\$ 29,595,000	880,996

Deferred inflows of resources in the governmental funds as of June 30, 2016 are comprised of the following:

	General Fund
Taxes receivable	\$ 31,328,258
Personal Property Tax Relief Act	3,209,133
EMS fees receivable	2,487,631
Solid waste fees receivable	3,047
Total deferred inflows of resources	\$ 37,028,069

Deferred inflows of resources in the proprietary funds as of June 30, 2016 are comprised of the following:

	Public Utilities Fund	Chesapeake Transportation System	Stormwater Management Fund	Internal Service Funds
Pension	\$ 1,251,712	171,399	484,231	948,189
Stormwater Management Fees	-	-	7,765,486	-
Total deferred inflows of resources	\$ 1,251,712	171,399	8,249,717	948,189

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Long-Term Obligations

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2016 follows:

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 277,488,592	12,170,000	(27,014,908)	262,643,684	22,621,535
Deferred amounts:					
Plus bond premiums	11,689,947	1,927,919	(1,869,176)	11,748,690	1,754,802
Total bonds payable	289,178,539	14,097,919	(28,884,084)	274,392,374	24,376,337
Other long-term obligations:					
Net pension liability	114,036,144	48,763,795	(45,092,427)	117,707,512	-
Net OPEB obligation	24,950,114	2,097,000	(8,643,349)	18,403,765	-
Arbitrage rebate and yield restriction	250,779	-	(50,489)	200,290	-
Compensated absences	19,425,707	17,524,554	(15,962,341)	20,987,920	8,575,936
Literary loans	997,681	-	(199,537)	798,144	199,537
Installment purchase agreement	1,342,284	-	-	1,342,284	-
Supplemental payments agreement	12,885,000	-	(2,785,000)	10,100,000	1,485,000
Liability for self-insurance losses	28,538,666	21,307,794	(20,373,711)	29,472,749	8,508,930
Edinburgh loan payable	2,546,285	-	(600,012)	1,946,273	600,011
Total long-term obligations	\$ 494,151,199	103,791,062	(122,590,950)	475,351,311	43,745,751

Compensated absences associated with governmental activities were liquidated primarily using the General Fund.

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

A summary of changes in long-term obligations for business-type activities for the year ended June 30, 2016 follows:

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Due Within One Year
Public Utilities:					
Bonds payable:					
General obligation bonds	\$ 83,810,000	-	(5,975,000)	77,835,000	5,275,000
Revenue bonds	33,340,000	-	(815,000)	32,525,000	835,000
	117,150,000	-	(6,790,000)	110,360,000	6,110,000
Deferred amounts:					
Plus bond premiums	6,315,837	-	(605,584)	5,710,253	585,771
Total bonds payable	123,465,837	-	(7,395,584)	116,070,253	6,695,771
Net pension liability	5,987,009	2,309,745	(1,903,964)	6,392,790	-
Compensated absences	960,069	743,724	(675,316)	1,028,477	433,552
	130,412,915	3,053,469	(9,974,864)	123,491,520	7,129,323
Chesapeake Transportation System:					
Revenue Bonds Payable:					
Current Interest Bonds	107,890,000	-	-	107,890,000	-
Convertible CABs ⁽¹⁾	48,560,302	2,377,500	-	50,937,802	-
VTIB Bonds ⁽²⁾	52,348,970	50,453,464	-	102,802,434	-
	208,799,272	52,830,964	-	261,630,236	-
Deferred Amounts:					
Plus bond premiums	7,075,677	-	(298,068)	6,777,609	308,242
Total bonds payable	215,874,949	52,830,964	(298,068)	268,407,845	308,242
VTIB bonds accrued interest payable ⁽³⁾	1,064,006	2,714,355	-	3,778,361	-
Due to Commonwealth of Virginia ⁽⁴⁾	65,044,115	815,645	-	65,859,760	-
Net pension liability	711,148	424,945	(260,714)	875,379	-
Compensated absences	117,934	85,724	(98,632)	105,026	47,190
	282,812,152	56,871,633	(657,414)	339,026,371	355,432
Stormwater Management:					
Net pension liability	2,204,894	1,004,750	(736,559)	2,473,085	-
Compensated absences	260,689	224,755	(225,661)	259,783	110,246
	2,465,583	1,229,505	(962,220)	2,732,868	110,246
Total long-term obligations	\$ 415,690,650	61,154,607	(11,594,498)	465,250,759	7,595,001

⁽¹⁾ The increase to the convertible Capital Appreciation Bonds (CABs) for 2016 is the accreted interest amount and is shown as such in the City's future debt service requirements for business-type activities.

⁽²⁾ The Virginia Transportation Infrastructure Bonds (VTIB) have a subordinate bond lien.

⁽³⁾ The accrued interest on the VTIB will be added to the principal when the first payment is due.

⁽⁴⁾ The amount due to the Commonwealth of Virginia does not include accrued interest of \$382,269 at June 30, 2016.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

A summary of changes in long-term obligations for the discretely presented component unit - Public Schools for the year ended June 30, 2016 follows:

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Due Within One Year
Compensated absences	\$ 40,613,119	-	(10,061,468)	30,551,651	1,625,674
Net pension liability	371,949,000	44,733,000	(29,595,000)	387,087,000	-
Net OPEB obligation	279,179,653	8,021,025	(6,100,004)	281,100,674	-
Liability for self-insurance losses	3,961,126	671,294	(1,247,595)	3,384,825	-
Capital leases	7,053,599	-	(1,818,060)	5,235,539	1,412,163
Total long-term obligations	\$ 702,756,497	53,425,319	(48,822,127)	707,359,689	3,037,837

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

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

Outstanding bonds, literary loans and installment purchase agreement for governmental activities at June 30, 2016 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Governmental activities - General Obligation bonds					
1996A School bonds	5.23%	\$ 595,000	595,000	-	.00% - 3.00%
1997A School bonds	5.60%	1,710,000	1,710,000	-	.00% - 3.00%
1998A School bonds	5.10%	1,230,000	1,230,000	-	.00% - 2.00%
1999A School bonds	6.10%	2,000,000	2,000,000	-	.00% - 2.00%
2000A School bonds	5.60%	2,880,000	2,880,000	-	.00% - 2.00%
2001A School bonds	5.10%	2,815,000	2,815,000	-	.00% - 2.00%
2001B School bonds	3.10-5.10%	573,684	-	573,684	-
2002A School bonds	5.10%	2,515,000	2,515,000	-	.00% - 1.00%
2003A School bonds	4.10-5.10%	1,185,000	1,185,000	-	.00% - 1.00%
2005A School bonds	4.10-5.10%	11,980,000	11,980,000	-	.00% - 1.00%
2005B School bonds	4.60-5.10%	5,910,000	5,910,000	-	.00% - 1.00%
2006A School bonds	4.48-5.10%	11,660,000	10,840,000	820,000	.00% - 1.00%
2006B School bonds	4.23-5.10%	11,660,000	10,820,000	840,000	.00% - 1.00%
2007A School bonds	4.10-5.10%	7,495,000	6,530,000	965,000	.00% - 1.00%
2007B School bonds	4.35-5.10%	6,790,000	5,925,000	865,000	.00% - 1.00%
2008A Public Improvement bonds	3.50-4.50%	6,950,000	5,650,000	1,300,000	-
2008A Public Improvement Refunding bonds	3.50-4.00%	4,320,000	-	4,320,000	-
2008B Tax Increment Financing bonds	4.00-4.63%	9,965,000	8,110,000	1,855,000	.00% - 1.00%
2009A School bonds	3.05-5.05%	27,115,000	21,130,000	5,985,000	.00% - 1.00%
2010A Tax Increment Financing, RZED	4.04-6.07%	1,920,000	1,445,000	475,000	-
2010A School bonds	3.05-5.05%	10,110,000	7,445,000	2,665,000	.00% - 1.00%
2010A-1 Public Improvement bonds	4.00%	4,125,000	-	4,125,000	-
2010A-2 Public Improvement bonds (Taxable)	3.41-5.36%	33,460,000	29,070,000	4,390,000	-
2010B-1 Tax Increment Financing bonds	2.50%	615,000	-	615,000	-
2010B-2 Tax Increment Financing bonds	3.41-5.36%	4,935,000	4,290,000	645,000	-
2010C-1 Tax Increment Financing bonds	4.00%	555,000	-	555,000	-
2010C-2 Tax Increment Financing bonds	3.41-5.36%	4,505,000	3,915,000	590,000	-
2011A Public Improvement Refunding Bonds	3.00-5.00%	13,715,000	-	13,715,000	-
2011A School Bonds	3.30-4.05%	8,015,000	5,675,000	2,340,000	.00% - 1.00%
2011B School Bonds (QSCB)	4.25%	3,960,000	-	3,960,000	-
2012A Public Improvement Refunding Bonds	2.00-4.00%	7,905,000	1,960,000	5,945,000	-
2012D Public Improvement Refunding Bonds	2.00-5.00%	9,910,000	3,375,000	6,535,000	-
2013A School Bonds	3.05-5.05%	17,125,000	11,235,000	5,890,000	.00% - 1.00%
2013B School Bonds	4.05-5.05%	6,970,000	-	6,970,000	-
2014A Public Improvement Refunding Bonds	2.00-3.38%	3,300,000	1,565,000	1,735,000	-
2016A Issue (VPSA)	2.05-5.05%	4,580,000	2,280,000	2,300,000	.50% - 1.00%
2016B Issue (VPSA)	5.050%	7,590,000	-	7,590,000	.50% - 1.00%
		262,643,684	174,080,000	88,563,684	
Add unamortized bond premiums		11,748,690	n/a	n/a	n/a
Total general obligation bonds, governmental activities		\$ 274,392,374	174,080,000	88,563,684	
Governmental activities - literary loans					
School literary loans, collateralized by certain school buildings	3.00%	\$ 798,144	-	798,144	-
Total Literary loans		\$ 798,144	-	798,144	
Governmental activities - installment purchase agreement					
Installment purchase agreement	4.80%	\$ 1,342,284	-	1,342,284	-
Total Installment purchase agreement		\$ 1,342,284	-	1,342,284	

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

Outstanding bonds for business-type activities at June 30, 2016 are comprised of the following issues:

	Remaining Interest Rates	Amount Outstanding	Callable	Noncallable	Call Premium
Business-type activities					
Public Utilities - General Obligation bonds					
2010D Water and Sewer Refunding bonds	4.00 - 5.00%	\$ 20,625,000	20,625,000	-	-
2011B Water and Sewer Refunding bonds	3.00 - 5.00%	21,140,000	12,915,000	8,225,000	-
2012B Water and Sewer Refunding bonds	3.50 - 5.00%	16,960,000	16,960,000	-	-
2014B Water and Sewer Refunding bonds	0.20-2.704%	19,110,000	19,110,000	-	-
Total Public Utilities - general obligation bonds		77,835,000	69,610,000	8,225,000	
Public Utilities - Revenue bonds					
2010B Water and Sewer Revenue bonds	3.82 - 6.28%	32,525,000	29,040,000	3,485,000	-
Total Public Utilities - revenue bonds		32,525,000	29,040,000	3,485,000	
Add unamortized bond premiums		5,710,253	n/a	n/a	n/a
Total Public Utilities bonds		\$ 116,070,253	98,650,000	11,710,000	
Chesapeake Transportation System (CTS) - Revenue bonds:					
2012A - Refunding	3.00 - 5.00%	\$ 15,465,000	3,580,000	11,885,000	-
2012A - New Money	4.00 - 5.00%	92,425,000	92,425,000	-	-
2012B - Convertible CABS	4.75 - 4.88%	50,937,802	48,358,280	2,579,522	-
2012C - VTIB	3.33%	102,802,434	102,802,434	-	-
Total CTS Toll Road Revenue bonds		261,630,236	247,165,714	14,464,522	
Add unamortized bond premiums		6,777,609	n/a	n/a	n/a
Less unamortized bond discount		-	n/a	n/a	n/a
Total CTS - revenue bonds		\$ 268,407,845			

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:

	Governmental Activities					
	Bonds		Literary Loans		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2017	\$ 22,621,535	11,234,477	199,537	23,944	-	64,430
2018	24,118,246	10,372,051	199,537	17,958	-	64,430
2019	20,480,049	9,403,572	199,537	11,972	-	64,430
2020	19,281,943	8,556,798	199,533	5,986	-	64,430
2021	19,487,935	7,728,614	-	-	-	64,430
2022-2026	94,518,976	25,772,176	-	-	-	322,148
2027-2031	56,260,000	7,670,480	-	-	-	322,148
2032-2036	5,650,000	339,761	-	-	1,342,284	64,430
2037-2041	225,000	3,431	-	-	-	-
	\$ 262,643,684	81,081,360	798,144	59,861	1,342,284	1,030,874

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

The following table summarizes the City's future debt service requirements for general obligation bonds and revenue bonds for business-type activities:

	Business-type Activities				
	Public Utilities		Chesapeake Transportation		
	Bonds		System Bonds		(1)
	Principal	Interest	Principal	Accreted Interest on Convertible CABS	Interest
Year ending June 30:					
2017	\$ 6,110,000	4,905,072	-	-	5,187,150
2018	6,265,000	4,783,842	-	-	5,187,150
2019	6,460,000	4,603,449	445,000	-	5,180,475
2020	6,665,000	4,395,014	1,635,399	-	8,534,780
2021	6,255,000	4,188,339	2,495,399	-	8,452,587
2022-2026	36,020,000	16,411,861	17,291,997	-	48,348,969
2027-2031	19,475,000	9,493,132	12,759,311	4,616,860	58,071,616
2032-2036	13,890,000	4,470,652	21,908,290	10,409,316	58,259,190
2037-2041	9,220,000	1,496,296	34,443,274	13,461,304	52,595,151
2042-2046	-	-	73,987,508	-	26,841,437
2047-2051	-	-	79,248,620	-	8,236,838
2052-2056	-	-	9,310,155	-	307,235
	\$ 110,360,000	54,747,658	253,524,954	28,487,480	285,202,578
Accreted interest inception to date			8,105,282		
			261,630,236		

(1) The future debt service requirements for the Chesapeake Transportation System bonds is a projection based on a minimum payments schedule determined at time of issuance for the VTIB bonds.

Additional detail on the City's long-term liabilities, specific debt issuances and other debt related items are as follows:

- (a) In May 2016, the City sold \$4,580,000 of general obligation school bonds to the Virginia Public School Authority (VPSA) at a true interest cost of 2.468% and a premium of \$457,582. The bonds were issued to partially fund the modernization and expansion of a primary school. The City also sold \$7,590,000 of General Obligation Bonds to VPSA at a true interest cost of 1.613% and a premium of \$1,470,337. The bonds were issued to fund major renewal and replacement projects for several schools.
- (b) In November 2012, the City issued \$150,722,520 of Chesapeake Transportation System Senior Toll Road Revenue Bonds. The bonds were issued in part to finance a portion of the construction costs of the Dominion Boulevard project improvements. Additionally, a portion of the bonds refunded the 1999 Chesapeake Expressway Toll Road Revenue bonds for the purpose of being incorporated into the Chesapeake Transportation System Plan of Finance and Indenture of Trust. The issuance included \$42,832,520 of Convertible Capital Appreciation Bonds (CABS) that will have accreted interest of \$28,487,480 comprised of \$8,378,891 on the 2032 maturity at 4.750% and \$20,108,589 on the 2040 maturity at 4.875%, for a total value at conversion and maturity of \$71,320,000. Interest on the CABS is compounded semi-annually and added to the value of the bonds until the conversion date of July 15, 2023 at which time the interest will be payable semi-annually. The accreted interest on the CABS through June 30, 2016 is \$8,105,282.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

In November 2012, a Bond Purchase and Loan Agreement was made between the Virginia Transportation Infrastructure Bank (VTIB), acting through its Manager, Virginia Resources Authority and the City. VTIB agreed to lend the City an amount not to exceed \$151,893,495 as evidenced by the purchase of the Chesapeake Transportation System Subordinate Toll Road Revenue Bond, Series 2012C. The VTIB Bond is subordinate to the 2012A and 2012B senior bonds and repayment will begin on the July 15 that occurs on or after the second anniversary of the substantial completion date of the Dominion Boulevard Project. Interest of 3.33% will accrue for the date of each advance with respect to the portion of the principal amount that was advanced. A minimum principal and interest payments schedule was established at the time of issuance but a new schedule will be prepared at the time of substantial completion based on the actual aggregate amount of advances and dates of each advance. The outstanding principal as of June 30, 2016 is \$102,802,434.

In November 2012, an amended and restated "City-State Agreement" between the City and the Commonwealth of Virginia, Department of Transportation (VDOT) was executed. No repayments with respect to the 1999 Toll Facilities Revolving Account (TFRA) Payments, the Urban Allocation Payments or the City contribution shall be made until the VTIB loan has been paid in full. The 1999 TFRA payment and the City contribution shall accrue interest at a rate of 3% per year, compounded semi-annually on each interest payment date. The Urban Allocation payments to be replenished as provided in the 2012 Indenture shall not accrue interest. State contributions to be repaid as of June 30, 2016 are \$65,859,760, which is comprised of \$27,801,414 to TFRA and \$38,058,346 to Urban Allocation.

- (c) In addition to the full faith and credit of the City, the City has pledged certain incremental tax revenues derived from the Greenbrier District and the South Norfolk District to pay principal and interest on Tax Incremental Financing bonds.

Water and Sewer Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System, subject to the prior application thereof to the payment of Operating Expenses. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and the services furnished by the System so as to produce revenues sufficient to meet its cash requirements and debt covenants detailed in its Agreement of Trust. Additionally, revenues from the System shall also be pledged on a subordinate lien basis for all general obligation bonds issued for the purpose of the System.

Chesapeake Transportation System Toll Road Revenue bonds and other obligations of the System are payable solely from net toll revenues as defined in its Indenture.

- (d) In April 2012, the City issued \$9,910,000 of general obligation public improvement refunding bonds with a true interest cost of 2.34% to advance refund the Series 2006A GO Public Improvement Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2016, none of the defeased bonds remained outstanding.

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

- (e) In April 2012, the City issued \$8,135,000 of general obligation public improvement refunding bonds with a true interest cost of 2.30% to advance refund the Series 2005A GO Public Improvement Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the Statement of Net Position. On June 30, 2016, none of the defeased bonds remained outstanding.
- (f) In August 2011, the City purchased the completed transportation facilities and incidental right-of-way improvements in the Edinburgh Planned Unit Development for \$3,759,307. The funds for this purchase are to be derived solely from ½ of the real estate tax and ½ of 1% in sales tax that the City collects from the adjacent commercial area and is contingent on the City's receipt of these taxes. The agreement provides for principal payments to be made in January and July of each calendar year. These payments are expected to take place over a five year period but this projection is not guaranteed and may involve a longer (or shorter) period of time. This debt has a 0% interest rate. At June 30, 2016, \$1,946,273 was outstanding.
- (g) 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.
- (h) In July 1997, the Commonwealth Transportation Board (CTB) issued \$33,075,000 of Commonwealth of Virginia transportation program revenue bonds. 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 CTB to make annual payments equal to the debt service payments on the bonds. In May 2006, the CTB partially refunded the 1997 bonds in the amount of \$23,830,000. In January 2016, the CTB refunded the 2006 bonds maturing in the years 2017-2022 in the amount of \$11,300,000. The SPA was adjusted accordingly to reflect a total debt service savings of \$1,586,875 and an economic gain of \$1,451,250. 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 \$1,585,000 principal payment from the Transportation Improvement Program Set-Aside Fund on the SPA during the current year.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

The following table summarizes the City's debt service requirements for the SPA as of June 30, 2016.

Fiscal year ending June 30:	Principal	Interest
2017	\$ 1,485,000	505,000
2018	1,560,000	430,750
2019	1,640,000	352,750
2020	1,720,000	270,750
2021	1,800,000	184,750
2022	1,895,000	94,750
Total payments	\$ 10,100,000	1,838,750

- (i) 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, 2016 was the settlement date and reflected the liability, if any, in either the Public Utilities Fund, Chesapeake Transportation System Fund or the governmental activities column of the Statement of Net Position, 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 Position.
- (j) The future payments by year of accumulated vacation, sick pay, paid time off and accrued overtime leave, arbitrage, net pension liability, net OPEB obligation and liability for self-insurance losses are not determinable. However, amounts due within one year for each of these liabilities have been estimated with the exception of the net pension liability and the net OPEB obligation, which cannot be estimated. The accumulated vacation, sick pay, paid time off and accrued overtime leave liability is generally liquidated by the department for which the employee works for the General Fund, Public Utilities, Chesapeake Transportation System and Stormwater Management. The arbitrage liability for governmental activities is generally liquidated by the Debt Service Fund. The net pension liability and net OPEB obligation are liquidated by the correlating funds in respect to the departmental costs, however, the net pension liability is reflected, based on allocation, on Internal Service Fund, Enterprise Fund and Entity-Wide Fund statements. The liability for self-insurance losses is liquidated by the Self-Insurance Fund and the Self-Funded Health Fund.
- (k) 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 10% 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 31, 2015 was \$47,040,000. 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 \$409,300,000 as of June 30, 2016.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(6) Continued

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

Assessed valuation - real estate	\$	24,370,701,634
Legal debt limit - 10.0% of assessed valuation	\$	2,437,070,163
Amount of debt applicable to legal debt limit:		
General bonded debt	\$	636,774,348
Less:		
Self-supporting debt not chargeable to debt limit		331,625,236
Amounts available for debt service		19,010,646
		286,138,466
Legal debt margin available	\$	2,150,931,697
Percent of:		
Legal debt margin outstanding		11.7%
Legal debt margin available		88.3%
		100.0%
Summary of assessed valuation:		
Public service real estate	\$	863,665,831
Other city real estate		23,507,035,803
	\$	24,370,701,634

The City Council adopted affordability policies that further restrict the amount that can be borrowed including a ceiling of \$3,000 of overall net debt per capita and a threshold of 3.5% of overall net debt to assessed value of taxable real property. Effective July 1, 2015, the City Council amended the policies to include limiting the City's tax-supported debt service to 10.0% of budgeted general governmental revenues. For fiscal year 2016, management believes the City is in compliance with these policies.

- (m) Management believes the City is in compliance, in all material respects, with all significant financial covenants contained in the bond indentures.
- (n) In November 2011, the Airport Authority sold its \$1,220,000 revenue refunding bonds to the Virginia Resources Authority as administrator of the Virginia Airports Revolving Fund. The purpose of the 2011 bonds was to refund the outstanding 1999 bonds to achieve debt service savings as well as restructuring the debt repayment by extending full maturity by five years. As part of this transaction, the City Council approved a new support agreement for the 2011 bonds which pledges the City's moral obligation with respect to the debt service reserve in substitution for the 1999 Agreement. At June 30, 2016, \$905,000 of the bonds remain outstanding, all of which are callable.

Notes to Basic Financial Statements
June 30, 2016

(7) Advances and On Behalf Of Payments

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

Component Unit – Chesapeake Airport Authority

In September 2008, the City Council authorized the restructuring of two previous advances made to the Airport Authority with different repayment terms. The restructuring allowed both note terms to run simultaneously, with a 15-year repayment. The remaining balances of the two notes were cancelled and a new note for \$439,100 was executed. Semi-annual payments of \$13,500 began in fiscal year 2009 with a final balloon payment of \$47,600 on June 15, 2023. A non-spendable classification of fund balance has been made in the General Fund for \$93,702 and in the Debt Service Fund for \$129,398 for the balance outstanding at June 30, 2016 of \$223,100.

The General Fund also budgeted and made payments of \$273,000 on behalf of the Airport Authority during fiscal year 2016. The City does not intend to collect these payments from the Airport Authority, as they were not part of a note or loan.

Component Unit – Chesapeake Port Authority

The General Fund has advanced \$944,407 to the Port Authority to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown. In addition, the General Fund made payments of \$10,205 on behalf of the Port Authority during fiscal year 2016. The city is not anticipating the collection of these payments from the Port Authority.

Component Unit – Economic Development Authority of the City of Chesapeake

On May 13, 1986, the City Council approved an advance to the EDA in a maximum amount of \$1,500,000. At June 30, 2016, \$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 \$162,312 on behalf of the Authority during fiscal year 2016. The City is not anticipating the collection of these payments from the EDA. In addition, the City contributed property valued at \$475,000 to the Authority in fiscal year 2016. In connection with the addition of a new Cinemark 12 screen, state of the art, stadium seating theater in the Western Branch section of the City, the EDA committed to acquire the old theater in the event it did not sell within a reasonable time of the opening of the new theater. The City acquired the property in August 2013. As of June 30, 2016, the property is under contract for sale. A purchase and sale agreement for the property was executed on October 21, 2015, with an amendment on June 15, 2016. The buyer is still in the due diligence phase and closing is expected to occur by the end of December 2016.

Advances from the Primary Government to its component units as reported on the Statement of Net Position as of June 30, 2016 is summarized as follows:

Advances to Airport Authority	\$	223,100
Advance to Port Authority		944,407
Advance to EDA		1,319,095
Total advances to component units		2,486,602
Less allowance for uncollectible amounts		(2,263,502)
Net advances to component units	\$	223,100

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(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 Position or the government-wide Statement of Activities.

Individual fund interfund receivable and payable balances for the Primary Government at June 30, 2016 are as follows:

Due To Other Funds	Due From Other Funds		
	Special Revenue Funds	Enterprise Funds	Total
Capital Project Fund	\$ -	5,982,642	5,982,642
General Fund	224,514	-	224,514
Total interfund balances	\$ 224,514	5,982,642	6,207,156

The interfund balance due to the General Fund from the Special Revenue funds of \$224,514 consists entirely of amounts due from the Grants Fund. The interfund balance due to the Capital Projects Fund of \$5,982,642 from the Enterprise funds is a result of a timing difference related to the funding of the Dominion Boulevard improvements. The total interfund balance of \$6,207,156 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 Fund surpluses beginning in fiscal year 2001, subject to annual appropriation by City Council. The amount repaid in the current year was \$249,776. There was no outstanding balance as of June 30, 2016.

A contribution in the amount of \$7,800,000 was made by the City to the Chesapeake Transportation System, formerly known as the Chesapeake Expressway Toll Road, by acquiring and constructing the Hanbury Road Interchange. This interchange project was recorded in the Capital Projects Fund. According to the previous indenture and City/State agreement, the Expressway was to repay the City's contribution semi-annually. Since the funding contributed by the City was for the interchange, the partial repayment of the City contribution made prior to the current indenture from the Expressway was made directly to the Capital Project fund instead of to the General Fund.

According to Section 4.2 (b) of the new 2012 Indenture, there shall be no repayment of the City contribution until the Virginia Transportation Infrastructure Bank (VTIB) loan has been repaid in full. The City contribution accrues interest at a rate of 3.0% per year, compounded semi-annually on each interest payment date. As of June 30, 2016, the amount currently outstanding on this loan is \$6,101,303, which includes principal of \$6,018,548 and accrued interest of \$82,755.

Notes to Basic Financial Statements
June 30, 2016

(8) Continued

Individual fund interfund transfers for the Primary Government were made for budgeted operating, debt service and capital purposes. In the year ended June 30, 2016, City Council approved transfers totaling \$12,196,376 to the Capital Projects Fund from the General Fund. Included in these transfers were funding for various capital projects, which came from prior years' resources. Major projects included \$2,132,320 for Mosquito Control Factory Relocation, \$1,155,000 for Facility High Priority Renewal and Replacements, \$2,100,000 for Fentress Encroachment Protection, \$1,500,000 for Commerce Park Upgrades, \$2,000,000 for Mullen Road & Jones Lane Connector and \$440,000 for Military Highway and Smith Avenue Intersection.

Interfund transfers for the year ended June 30, 2016 are as follows:

Transfers To Other Funds	Transfers From Other Funds				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	-	4,403,010	40,239	4,443,249
Debt Service Fund	29,872,789	354,682	3,068,907	-	33,296,378
Capital Projects Fund	12,196,376	-	1,408,000	1,274,043	14,878,419
Nonmajor governmental funds	19,088,111	-	125,880	-	19,213,991
Internal Service Funds	600,000	-	-	-	600,000
Total	\$ 61,757,276	354,682	9,005,797	1,314,282	72,432,037

Included in the Internal Service Funds above is a transfers out of \$16,462 from Self-Funded Health Fund to General Fixed Asset Account Group (GFAAG).

(9) Leases

The City and the Schools, a component unit, lease certain property under non-cancelable capital leases and certain facilities under non-cancelable operating leases with scheduled rent increases. As of June 30, 2016, there were no outstanding capital leases for the City's capital assets from governmental activities.

The future minimum operating lease payments for governmental activities as of June 30, 2016 are as follows:

	Operating
Fiscal years:	
2017	\$ 719,258
2018	496,476
2019	204,776
Total future minimum lease payments	\$ 1,420,510

The total governmental operating lease payments for the year ended June 30, 2016 were \$1,000,168.

Notes to Basic Financial Statements
June 30, 2016

(9) Continued

At June 30, 2016, the Schools capital assets include \$18,101,604 of equipment financed under capital leases. Current year amortization expense for leased assets is \$1,468,730. Accumulated amortization expense for these assets is \$13,086,563. The future minimum capital lease payments and the present value of minimum capital lease payments for the Schools as of June 30, 2016 are as follows:

	Capital
Fiscal years:	
2017	\$ 1,570,023
2018	1,371,658
2019	662,026
2020	662,026
2021	662,026
2022-2023	750,497
Total future minimum lease payments	5,678,256
Less amounts representing interest	442,717
Present value of minimum capital lease payments	\$ 5,235,539

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

The City and Schools contribute to the Virginia Retirement System Plan (VRS), which provides agent, multiple employer and cost-sharing, multiple-employer defined benefit pension plans administered by the Virginia Retirement System (System). The City employees and Schools Nonprofessional employees are covered by the agent, multiple-employer defined benefit plan and Schools Professional employees are covered by the cost-sharing multiple-employer defined benefit plan.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. These plans are administered by VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active duty military service, certain periods of leave and previously refunded service.

Within the VRS Plan, the System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and eligibility for covered groups within each plan are set out below:

VRS PLAN 1***About VRS Plan 1***

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Retirement Age

Normal retirement: Age 65. Political subdivision hazardous duty employees: Age 60

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years (60 months) of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivision hazardous duty employees may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2***About VRS Plan 2***

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions

Same as VRS Plan 1.

Notes to Basic Financial Statements
June 30, 2016

(10) **Continued**

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as VRS Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Sheriffs, regional jail superintendents and political subdivision hazardous duty employees: Same as Plan 1.

Normal Retirement Age

Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as VRS Plan 1.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivision hazardous duty employees: Same as VRS Plan 1.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivision hazardous duty employees: Same as VRS Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as VRS Plan 1.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1.

Notes to Basic Financial Statements
June 30, 2016

(10) **Continued**

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as VRS Plan 1.

VRS HYBRID RETIREMENT PLAN

About VRS Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

*Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan.

Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Benefit Component:

See definition under VRS Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier for the defined benefit component is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component:

Not applicable.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility:

Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2.

Notes to Basic Financial Statements
June 30, 2016

(10) Continued***Disability Coverage***

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service**Defined Benefit Component:**

Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	Schools Nonprofessional Employees
Inactive members or their beneficiaries currently receiving benefits	1,810	636
Inactive members not currently receiving benefits:		
Vested inactive members	404	91
Non-vested inactive members	786	283
Inactive members active elsewhere in VRS	737	143
Total inactive members not currently receiving benefits	1,927	517
Active members	3,077	1,054
Total covered employees	6,814	2,207

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly or as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

The City's contractually required contribution rate for the year ended June 30, 2016 was 15.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$23,530,469 and \$23,165,117 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Schools' nonprofessional contractually required contribution rate for the year ended June 30, 2016 was 10.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Schools were \$2,290,138 and \$2,321,931 for the years ended June 30, 2016 and June 30, 2015, respectively.

Each school division's contractually required contribution rate for teachers for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarial determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$30,557,558 and \$31,725,142 for the years ended June 30, 2016 and 2015, respectively.

Net Pension Liability

The City's and Schools' nonprofessional net pension liabilities were measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

At June 30, 2016 Schools reported a liability of \$371,035,000 for its proportionate share of the net pension liability of the Teacher Retirement Plan. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Schools proportion of the net pension liability was based on Schools actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of actuarially determined employer contributions for all participating employers. As of June 30, 2015, the Schools' proportion was 2.94792% as compared to 2.96080% at June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liabilities for General Employees in the City's and Schools' nonprofessional Retirement Plans were based on an actuarial valuations as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:	14% of deaths are assumed to be service related
Largest 10 – Non-LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
All Others (Non 10 Largest) – Non-LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 – Non-LEOs:
 - Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year
- All Others (Non 10 Largest) – Non-LEOs:
 - Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

(Continued)

Notes to Basic Financial Statements
 June 30, 2016

(10) Continued

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:	60% of deaths are assumed to be service related
Largest 10 – LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – LEOs:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 –LEOs:
 - Update mortality table
 - Decrease in male rates of disability
- All Others (Non 10 Largest) – LEOs:
 - Update mortality table
 - Adjustments to rates of service retirement for females
 - Increase in rates of withdrawal
 - Decrease in male and female rates of disability

Actuarial Assumptions – Schools Teachers

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustment to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%	N/A	5.83%
Inflation			2.50%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Notes to Basic Financial Statements
June 30, 2016

(10) Continued***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. Through the fiscal year ending June 30, 2018, the rate contributed by Schools for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in City Net Pension Liability

City	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 811,511,649	687,072,642	124,439,007
Changes for the year:			
Service cost	18,816,001	-	18,816,001
Interest	55,502,643	-	55,502,643
Differences between expected and actual experience	(8,933,171)	-	(8,933,171)
Contributions - employer	-	23,309,941	(23,309,941)
Contributions - employee	-	7,364,024	(7,364,024)
Net investment income	-	31,352,624	(31,352,624)
Benefit payments, including refunds of employee contributions	(37,233,496)	(37,233,496)	-
Administrative expense	-	(429,327)	429,327
Other changes	-	(6,630)	6,630
Net changes	28,151,977	24,357,136	3,794,841
Balances at June 30, 2015	\$ 839,663,626	711,429,778	128,233,848

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

Schools - Nonprofessional	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 91,147,244	77,002,477	14,144,767
Changes for the year:			
Service cost	2,148,602	-	2,148,602
Interest	6,232,246	-	6,232,246
Differences between expected and actual experience	366,267	-	366,267
Contributions - employer	-	2,321,495	(2,321,495)
Contributions - employee	-	1,063,283	(1,063,283)
Net investment income	-	3,503,699	(3,503,699)
Benefit payments, including refunds of employee contributions	(4,230,322)	(4,230,322)	-
Administrative expense	-	(48,093)	48,093
Other changes	-	(743)	743
	4,516,793	2,609,319	1,907,474
Balances at June 30, 2015	\$ 95,664,037	79,611,796	16,052,241

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability - City	\$ 234,636,838	128,233,848	39,313,763
Net Pension Liability - Schools Nonprofessional	\$ 27,602,000	16,052,000	6,368,000
Schools' proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 542,975,000	371,035,000	229,493,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$10,226,314. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	6,816,306
Net difference between projected and actual earnings on pension plan investments	-	18,291,943
Employer contributions subsequent to the measurement date	23,530,469	-
Total	\$ 23,530,469	25,108,249

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

\$23,530,469 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	(9,314,020)
2018	(9,314,020)
2019	(9,314,020)
2020	2,833,812
Thereafter	-

For the year ended June 30, 2016, Schools recognized pension expense of \$1,311,000 for the nonprofessional plan. At June 30, 2016, Schools reported deferred outflows of resources and deferred inflows of resources related to nonprofessional pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	1,764,000
Employer contributions subsequent to the measurement date	2,290,138	-
Total	\$ 2,290,138	1,764,000

\$2,290,138 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions for nonprofessional employees subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$(697,000)
2018	(697,000)
2019	(742,000)
2020	372,000
Thereafter	-

For the year ended June 30, 2016, Schools recognized pension expense of \$27,230,000 for the teachers plan. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Notes to Basic Financial Statements
June 30, 2016

(10) Continued

At June 30, 2016, Schools reported deferred outflows of resources and deferred inflows of resources related to pensions for teachers from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	5,109,000
Net difference between projected and actual earnings on pension plan investments	\$ -	22,722,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,000	-
Employer contributions subsequent to the measurement date	30,557,558	-
Total	\$ 30,690,558	27,831,000

\$30,557,558 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$(10,004,000)
2018	(10,004,000)
2019	(10,004,000)
2020	3,004,000
2021	(690,000)

Payables to the Pension Plan

The City reported payables of \$1,978,884 due to the VRS at June 30, 2016 which represent the June 2016 employer contributions for all plans not contractually required to be remitted until July 2016.

VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Notes to Basic Financial Statements
June 30, 2016

(11) Other Postemployment Benefits

Plan Description

The City's Other Postemployment Benefit plan is a single-employer, defined benefit plan that provides access to medical and dental insurance benefits to eligible Pre-Medicare retirees and their dependents. (Effective January 1, 2016, the existing post-Medicare supplemental plan offered to retirees was discontinued per City Council's approval on September 15, 2015). Plan membership as of June 30, 2016, consisted of 2,824 active service participants and 383 retirees and beneficiaries currently receiving benefits. There are no retirees entitled to benefits but not currently receiving them, because if they do not choose to continue coverage at the time of retirement, then they are no longer eligible to participate. The City's administrative regulations outline the benefits provided and criteria for eligibility. City Ordinance established the City of Chesapeake Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the City are irrevocable and must be used solely to discharge the City's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the City's financial statements.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type component unit of the City. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due and the benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value using a variety of methods, including quoted market prices, net asset value, or third party assessment.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City's administrative regulations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council-approved Operating Budget. For fiscal year 2016, the City contributed \$8,643,349 to the plan, including \$3,200,495 for current premiums (63% of total premiums), an additional \$3,498,854 to prefund benefits, and \$1,944,000 actuarially estimated implicit subsidy. Plan members receiving benefits contributed \$1,919,547, or 37% of the total premiums, through their required monthly contributions. Member contributions are 1.30% of covered payroll. Costs to administer current benefits are paid from the General Fund.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities using level dollar amortization. The amortization period is closed and equals 15 years as of June 30, 2016.

Notes to Basic Financial Statements
June 30, 2016

(11) Continued

For the year ended June 30, 2016, the City's annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 3,089,000
Interest on net OPEB obligation	1,747,000
Adjustment to annual required contribution	(2,739,000)
Annual OPEB cost	2,097,000
Less employer contributions made	8,643,349
Increase (decrease) in net OPEB obligation	(6,546,349)
Net OPEB obligation at July 1, 2015	24,950,114
Net OPEB obligation at June 30, 2016	\$ 18,403,765

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 2,097,000	\$ 8,643,349	412.2%	\$ 18,403,765
June 30, 2015	7,468,000	13,401,054	179.4%	24,950,114
June 30, 2014	10,431,000	13,640,311	130.8%	30,883,168

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date for fiscal year ending June 30, 2016, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 75,820,000
Less actuarial value of plan assets	74,600,436
Unfunded actuarial accrued liability (UAAL)	\$ 1,219,564
Funded ratio (actuarial value of plan assets/AAL)	98.39%
Covered payroll	\$ 147,326,696
UAAL as a percentage of covered payroll	0.83%

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

Notes to Basic Financial Statements
June 30, 2016

(11) **Continued**

Actuarial Method and Assumptions

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

In the actuarial valuation for fiscal year ending June 30, 2016 (dated November 8, 2016), the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 6.1-7.1% initially, graded to a rate of 5.8 – 6.8% after eleven years. A general inflation rate of 2.5% was incorporated in the actuarial valuation. The City's unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount. There were no additional postemployment benefit increases assumed. The amortization period is closed and equals 15 years as of June 30, 2016.

Discretely presented component unit - Public Schools:

Plan Description

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2014, consisted of 5,288 active service participants and 1,374 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the Schools' Other Postemployment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund ("the Trust"). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

Significant Accounting Policies

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

Funding Policy

The contribution requirements of plan members and the Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2016, the Schools contributed \$6,100,004 to the plan to pay for current premiums (64% of total premiums). Plan members receiving benefits contributed \$3,400,675 or 36% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the Schools' General Fund.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(11) Continued***Annual OPEB Cost and Net OPEB Obligation***

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

For the year ended June 30, 2016, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 12,377,878
Interest on net OPEB obligation	11,167,186
Adjustment to annual required contribution	(15,524,039)
Annual OPEB cost	8,021,025
Less employer contributions made	(6,100,004)
Increase in net OPEB obligation	1,921,021
Net OPEB obligation at July 1, 2015	279,179,653
Net OPEB obligation at June 30, 2016	\$ 281,100,674

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 8,021,025	\$ 6,100,004	76.1%	\$ 281,100,674
June 30, 2015	7,676,633	6,637,601	86.5%	279,179,653
June 30, 2014	7,878,097	7,753,753	98.4%	278,140,621

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(11) Continued***Funded Status and Funding Progress***

Based on the most recent actuarial valuation dated July 1, 2015, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 145,505,736
Less actuarial value of plan assets	11,904,540
Unfunded actuarial accrued liability (UAAL)	\$ 133,601,196
Funded ratio (actuarial value of plan assets/AAL)	8.18%
Covered payroll	\$ 239,436,096
UAAL as a percentage of covered payroll	55.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the Schools' annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2016. The schedule provides multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. In FY 2014, the Schools changed its OPEB policy to incorporate flat dollar employer contributions and those amounts will not be increased in the future. Therefore, no annual healthcare cost trend rates were used in the July 1, 2014 actuarial valuation. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(12) Fund Balances***Primary Government***

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 1,491,755	-	-	-	1,491,755
Advances to component units and other	93,702	129,398	-	-	223,100
Prepaid expenditures and other assets	-	-	-	260,654	260,654
Education permanent funds principal	-	-	-	12,795	12,795
Total nonspendable	1,585,457	129,398	-	273,449	1,988,304
Restricted for cash flow emergencies	32,623,282	-	-	-	32,623,282
Restricted other:					
General Government					
Tax increment financing - Greenbrier	-	-	-	16,516,415	16,516,415
Tax increment financing - South Norfolk	-	-	-	8,701,610	8,701,610
Proffers	-	-	-	945,902	945,902
Grants	-	-	-	1,130,155	1,130,155
Total General Government	-	-	-	27,294,082	27,294,082
Public Safety					
Training academy	20,000	-	-	-	20,000
Proffers	-	-	-	880,279	880,279
Grants	-	-	-	1,960,800	1,960,800
Total Public Safety	20,000	-	-	2,841,079	2,861,079
Public Works					
Proffers	-	-	-	1,733,796	1,733,796
Grants	-	-	-	19,772	19,772
Total Public Works	-	-	-	1,753,568	1,753,568
Parks and Recreation					
Grants	-	-	-	196,382	196,382
Total Parks and Recreation	-	-	-	196,382	196,382
Public Welfare					
Integrated behavioral healthcare	-	-	-	6,359,515	6,359,515
Grants	-	-	-	4,338	4,338
Total Public Welfare	-	-	-	6,363,853	6,363,853
Education					
Proffers	-	-	-	7,753,122	7,753,122
Education permanent funds interest	-	-	-	180,865	180,865
Total Education	-	-	-	7,933,987	7,933,987
Oak Grove connector	520,507	-	-	-	520,507
Arbitrage rebate and yield restriction	-	200,290	-	-	200,290
Poindexter Street construction	-	-	32	-	32
Total restricted other	540,507	200,290	32	46,382,951	47,123,780

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Committed for one time projects	46,875,091	-	-	-	46,875,091
Committed other:					
General Government:					
Payroll transition	3,466,000	-	-	-	3,466,000
Technology fees	385,938	-	-	-	385,938
Treasurer's EGOV	191,661	-	-	-	191,661
Treasurer's late license fee	2,966,262	-	-	-	2,966,262
Litigation reserve	1,339,208	-	-	-	1,339,208
Treasurer's EZ Pass	35,117	-	-	-	35,117
Juvenile services	-	-	-	375,000	375,000
Open space agriculture preservation	-	-	-	3,028,146	3,028,146
Total General Government	8,384,186	-	-	3,403,146	11,787,332
Public Safety:					
Radio system (800 MHZ)	1,380,842	-	-	-	1,380,842
Animal Control fees	11,433	-	-	-	11,433
Total Public Safety	1,392,275	-	-	-	1,392,275
Public Works					
Overweight fines	501,176	-	-	-	501,176
Excavation fees	233,181	-	-	-	233,181
Prorata drainage	-	-	6,573,039	-	6,573,039
Total Public Works	734,357	-	6,573,039	-	7,307,396
Parks and Recreation					
Open space	-	-	2,923,245	-	2,923,245
Total Parks and Recreation	-	-	2,923,245	-	2,923,245
Public Welfare					
Public assistance	-	-	-	100,856	100,856
CSB of Chesapeake, Inc	-	-	-	380,224	380,224
Community development	-	-	-	2,004	2,004
Housing trust	-	-	-	98,495	98,495
Total Public Welfare	-	-	-	581,579	581,579
City future capital projects	10,187,741	-	-	-	10,187,741
Encumbrances	3,391,710	-	33,731,831	1,546,807	38,670,348
Economic development investment program	893,441	-	-	-	893,441
Solid waste and disposal	438,341	-	-	-	438,341
Schools future capital projects	5,542,535	-	-	-	5,542,535
Total committed other	30,964,586	-	43,228,115	5,531,532	79,724,233

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(12) Continued

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Assigned:					
General Government:					
Clerk of the Circuit Court - technology	109,893	-	-	-	109,893
Sheriff - work release	135,179	-	-	-	135,179
Commissioner of the Revenue - cigarette tax stamps	35,000	-	-	-	35,000
Local developers	-	-	224,296	-	224,296
Conference Center	-	-	-	3,566,346	3,566,346
Juvenile services	-	-	-	2,285,633	2,285,633
Total General Government	280,072	-	224,296	5,851,979	6,356,347
Public Safety:					
E-911	-	-	-	3,231,589	3,231,589
Fee supported activities	-	-	-	997,578	997,578
Total Public Safety	-	-	-	4,229,167	4,229,167
Public Works					
Street maintenance	733,425	-	-	-	733,425
Escalator repairs	111,000	-	-	-	111,000
Bridge maintenance and repairs	438,900	-	-	-	438,900
Prorata drainage	-	-	1,521,121	-	1,521,121
Jordan Bridge	-	-	300,000	-	300,000
Total Public Works	1,283,325	-	1,821,121	-	3,104,446
Parks and Recreation					
Open space	-	-	13,150	-	13,150
Total Parks and Recreation	-	-	13,150	-	13,150
Public Welfare					
Public assistance	-	-	-	5,821,700	5,821,700
Integrated behavioral healthcare	-	-	-	3,340,949	3,340,949
Interagency consortium	-	-	-	950,860	950,860
Total Public Welfare	-	-	-	10,113,509	10,113,509
Education:					
Revenue sharing	5,863,697	-	230	-	5,863,927
Cash reversion	2,405,344	-	-	-	2,405,344
Total Education	8,269,041	-	230	-	8,269,271
Debt service payments	-	19,010,646	-	-	19,010,646
City future capital projects	-	-	20,645,172	-	20,645,172
Schools future capital projects	-	-	437,478	-	437,478
Total assigned	9,832,438	19,010,646	23,141,447	20,194,655	72,179,186
Unassigned:	65,246,428	-	-	-	65,246,428
Total fund balance	\$ 187,667,789	19,340,334	66,369,594	72,382,587	345,760,304

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(13) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code* Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by a third party for the participants. Therefore, the assets are not included in the accompanying financial statements as of June 30, 2016.

(14) Commitments***Capital Improvements Program***

The City Council adopted a five-year capital improvements program on May 10, 2016, which was later amended on June 14, 2016. The total estimated cost of which amounted to \$531,035,427 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 per the adopted capital budget follows:

Funds Previously Appropriated	\$ 127,808,241
General Fund - Unassigned	25,115,522
General Fund - Committed for City Capital Projects	29,440,364
General Fund - Committed for Schools	28,656,400
Capital Projects Fund Balance	3,583,000
Information Technology - Fund Balance	1,866,000
Other Funds - Fund Balance	6,865,000
SoNo TIF Fund Cash	2,304,467
State Revenue Sharing	22,645,533
State Grant	24,753,791
Proffers	4,000,000
Public Utilities Operations	54,229,867
Stormwater Management Operations	27,550,000
Stormwater Management - Fund Balance	5,543,000
Chesapeake Transportation System - Fund Balance	2,434,550
Borrowing Authority - Unissued	36,588,075
Borrowing Authority - Greenbrier TIF	16,000,000
Borrowing Authority - South Norfolk TIF	7,500,000
Borrowing Authority - Short Term Financing	5,750,000
Borrowing Authority - VPSA	65,000,000
Public Utilities - Borrowing Authority Revenue Supported	33,401,617
	\$ 531,035,427

Notes to Basic Financial Statements
June 30, 2016

(14) Continued

Encumbrances outstanding at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year-end. Outstanding encumbrances as of June 30, 2016 for the City and the Schools are as follows:

<u>City</u>		<u>Schools</u>	
<u>Governmental Funds</u>		<u>Governmental Funds</u>	
General Fund	\$ 3,391,710	General Fund	\$ 2,474,584
Capital Projects	33,731,831	Capital Projects	6,447,206
Other Governmental Funds	1,546,807	Other Governmental Funds	433,969
Total	\$ 38,670,348	Total	\$ 9,355,759

(15) Joint Venture

On October 1, 2014, the City of Chesapeake was inducted as a member of the Hampton Roads Regional Jail Authority (HRRJA). HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk, Portsmouth and Chesapeake and is governed by a 15 member Board of Directors, consisting of three representatives appointed by each of the member cities. The Authority was created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. Chesapeake is responsible for paying the Authority a per diem charge per inmate. Chesapeake guaranteed paying for 50 inmates per day starting July 1, 2014 and increasing by 25 inmates per quarter until the guarantee payment of 250 inmates per day is reached.

As a condition of its admission as a member, the City agreed to make a payment of \$3.0 million in addition to its required payments for inmates. The \$3.0 million was scheduled to be paid in three parts. The City has paid \$2.0 million representing \$1.0 million for the initial payment that was due October 1, 2014 and \$1.0 million due before July 15, 2015. The City has committed to paying another \$1.0 million due on or before July 15, 2016. This \$1.0 million is included in the Note for Commitments related to the Capital Improvements Program under funds previously appropriated. The terms of this agreement do not convey an equity interest in the HRRJA and accordingly, no equity interest has been reflected in the City's financial statements. Complete audited financial statements for the HRRJA are available from the administrative office at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

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

The City is exposed to various risks of loss related to civil torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural perils. Accordingly, during fiscal year 1987, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Self-Insurance Fund provides coverage for the following types of liability claims retaining risk up to certain limits and obtaining excess commercial insurance policy coverage to additional limits.

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

	Self-insurance Risk Retention	Commercial Insurance Aggregate Coverage Limit
General and automobile liability claims	\$ 2,000,000	10,000,000
Public official, law enforcement officer and other liability	100,000	2,000,000
Workers' compensation claims (non-safety)	1,250,000	25,000,000
Workers' compensation claims (public safety)	1,500,000	25,000,000

The Self-Insurance Fund also provides for injured employees that are permanently and totally disabled. Indemnity for these injured workers is 66 ²/₃ percent of their salary for up to 500 weeks and medical care for their injury. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years.

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

The claims liability of \$26,772,535 reported in the Self-Insurance Fund at June 30, 2016 is based on the requirements of GAAP. 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, 2016 and 2015 were as follows:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2016	\$ 28,538,666	4,619,561	6,385,692	26,772,535
6/30/2015	27,947,727	6,620,957	6,030,018	28,538,666

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

Effective January 1, 2016 the City began self-funding health insurance coverage for its participating employees and retirees and established the Self-Funded Health Fund for reporting of these activities. The City provided health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses and aggregate coverage is capped at 120% of expected claims as determined during the annual rate setting process in consultation with the City's third party administrator and health benefits consultant. The City purchases commercial insurance coverages for excess amounts. Claims processing and payments for self-funded health claims are made through a third-party administrator. Amounts due as of June 30, 2016 are recognized as current portion of a long-term liability in the statement of net position. The City uses information provided by the third-party administrator and health benefits consultant to aid in the determination of self-funded health insurance liabilities. The total computed liability as of June 30, 2016 is \$2,700,214. Other health related insurance coverages (dental and vision) are provided on a fully insured basis.

The Schools, a component unit, is self-insured for its workers' compensation, health and dental insurance. Workers' compensation has an \$800,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for workers' compensation, medical 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, 2016 are recognized as a long-term liability in the statement of net position. The Schools use the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. The total computed liability as of June 30, 2016 is \$10,277,124.

Changes in the Schools' self-insurance program liability amount during the fiscal years ended June 30, 2016 and 2015 were as follows:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
6/30/2016	\$ 10,371,633	67,971,416	68,011,096	10,331,953
6/30/2015	10,766,242	61,739,112	62,133,721	10,371,633

The liability at June 30, 2016 is comprised of \$3,384,825 in long-term liabilities and \$6,947,128 in accounts payable and accrued expenses related to medical and dental claims.

Federal Award Programs

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

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

Public Utilities Pro-Rata

The City's Pro-Rata Program ("program"), administered by the Department of Public Utilities, allows developers or entities that construct utility assets that will serve an area greater than its subdivision or development ("the initial developers") to receive a reimbursement as a proportionate share of its construction costs from other individuals or entities that will utilize the installed utility assets ("subsequent developers"). Upon acceptance, the utility assets are dedicated to the City and accepted into the Public Utility water and sewer system. The City's Department of Public Utilities has responsibility for the operation and maintenance of the dedicated utility assets.

The program's Pro Rata Policy ("policy") requires each initial developer to satisfy five conditions before it is eligible to receive reimbursements under the program. Among these five conditions is a requirement that the initial developer submit appropriate documentation to Public Utilities that verifies the initial developer's total cost expenditures for the installed utility asset. In addition, initial developers must execute an agreement with the City that quantifies its proportional share of the construction costs (i.e., what that developer would have paid if the utility asset served just its development) and also an approximation of estimated subsequent developer reimbursements (i.e., what subsequent developers will likely owe to the initial developer when or if they utilize or benefit from the initial developer installed utility assets). The initial developer, once it receives the agreement, has twenty-one days to elect a method of reimbursement. It can elect a traditional pro rata reimbursement, which is a reimbursement of payments that the City receives from each subsequent developer (and is based upon the estimated benefit that the subsequent developer receives by utilizing the installed utility assets), or it can elect to receive connection fees, which are generally paid by home builders that purchase properties within the initial developer's subdivision. Connection fees are a standardized City-wide service fee paid by citizens or entities that utilize City water and sewer assets. The total connection fee reimbursement that an initial developer can receive is contractually limited to the estimated pro rata reimbursement figure contained in its initial developer agreement with the City. If no method of reimbursement is elected within the twenty-one days, the initial developer forfeits its right to connection fee reimbursement and elects, by default, traditional pro rata reimbursement. The initial developer is not eligible for a reimbursement where a subsequent developer has not yet paid its pro rata share of costs to the Department of Public Utilities.

Department of Public Utilities staff is currently evaluating this program for revisions and improvement. During this review, it has been identified that not all reimbursements due to initial developers have been disbursed, nor was a liability recorded by Public Utilities when a cash payment was received from a reimbursement source (i.e., a subsequent developer or an eligible connection fee payment). An adjustment was made by the department to the fund in fiscal year 2016 to record a liability in the amount of \$0.8 million for amounts received, but not yet reimbursed, to initial developers who signed an agreement with the City and have met all five required conditions for pro rata reimbursement under the program. It is important to note that each service area under the Pro Rata Program may take years to complete. This is so because, at inception, it is difficult to determine how many subsequent developers will utilize the installed utility assets, or the extent of such usage. In addition, the original engineering calculation, which determines the initial developer's pro rata reimbursement estimate, may change over time depending upon a number of factors, including actual subsequent developments that benefit from the installed assets, the actual cost of the installed assets, future environmental restrictions (i.e., wetlands) and the ultimate delineation of pump station service areas. Furthermore, it is neither estimable nor is it determinable exactly when a subsequent developer will make a payment to the City, which, in turn, obligates the City to remit a reimbursement to an initial developer if all conditions under the policy have been met. Of note, reimbursable connection fees or subsequent developer payments may have been received and recorded as revenue prior to the initial developer

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

executing an agreement, completing an election to receive reimbursement or providing documents to Public Utilities that meet the total-cost-expenditure substantiation requirements contained in the policy. As a complicating factor, the City cannot anticipate, and has no way of knowing in advance, the initial developer's method-of-reimbursement election, and connection fees are recorded as revenue and are not eligible to be recorded as liabilities until such time as the initial developer executes the agreement, provides the appropriate and approved documents and receipts that allow verification of utility improvement costs, makes its method-of-reimbursement election and cash is received from a reimbursable source. The amount payable to initial developers for whom the City has not yet received cash from subsequent developers but with whom the City has executed agreements is approximated herein as a contingent liability and is roughly estimated as approximately up to \$6.8 million. If the five conditions for reimbursement have been satisfied, upon receiving cash, these payments will be made and the contingent liability reduced.

The estimated contingent liability for reimbursements that are due to initial developers wherein payments have already been received from subsequent developers, but that have not been paid by the City as a result of the five conditions not yet having been met, total a contingent liability of approximately up to \$4.6 million. Nevertheless, these amounts will be reimbursed by the City if and when all five conditions required under the policy have been met. The method-of-reimbursement election for payments due under these scenarios are unknown since no election has been made. The calculation of the liabilities contained in this paragraph has focused specifically on pro rata projects that have taken place within the last ten years, as the likelihood of projects older than ten years meeting all five conditions was deemed to be remote. Additionally, certain subsequent developer payments have been and will continue to be received by the City under circumstances where the City cannot remit reimbursement to the initial developer because the initial developer has not satisfied all of the conditions to qualify for reimbursement. These funds will be retained by the City.

As a caveat, the review of the Pro-Rata Program (a program that originated in 1982) required the assessment of records that were contained on certain recordkeeping systems, software or hardware systems that are no longer available, or technologically inaccessible, and thus it is not possible to know with certainty if all amounts have been identified - but the available information has been reviewed and identified to the best of the City's ability.

Southeastern Public Service Authority (SPSA)

Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. On April 29, 2010, the City executed a new guaranty agreement with SPSA, along with all of its other member communities. Under the new agreement, these cities and counties agree to guarantee the remainder of SPSA's debt not to exceed \$50,000,000 in the aggregate. The City's applicable percentage is 22.49%. Any amounts expended by the City to pay debt service on behalf of SPSA will be required to be repaid by SPSA. The change in the City's guaranty agreement resulted in part from the sale of SPSA's Waste-to-Energy facilities to Wheelabrator Technologies, Inc. on April 29, 2010, allowing the principal amount of SPSA's outstanding indebtedness to be reduced to \$75.0 million from \$218.0 million. At June 30, 2016, SPSA's outstanding indebtedness totaled \$20.7 million. The City's current contract with SPSA terminates on January 24, 2018, however, on April 26, 2016, the City Council approved a new contract with SPSA for post-2018 service. Complete audited financial statements for SPSA are available from the administrative office at 723 Woodlake Drive, Chesapeake, Virginia 23320.

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

SPSA Lease Extension

On April 26, 2016 the City Council voted to extend an existing lease agreement between Southeastern Public Service Authority of Virginia (SPSA) and the City dated June 12, 1984 for the use of property located at 901 Hollowell Lane in the Washington Borough of the City. The prior lease was to expire on May 31, 2016 and the lease extension agreement will extend the term of the lease until January 24, 2018 when the current Use and Support Agreements with SPSA will expire. This property is utilized by SPSA as a waste transfer station and the City uses this transfer station for 87% of its waste disposal tonnages with the remainder divided among the Wheelabrator plant in Portsmouth, the Norfolk transfer station and the Suffolk transfer stations.

SPSA Regional Trash Agreement

In May 2016 SPSA, the region's trash agency, finalized a contract for RePower South to take over regional trash handling for the Southeastern Public Service Authority. The SPSA agreement contracts with South Carolina-based RePower South and would bring a new recycling facility to Chesapeake. RePower will take over trash handling for SPSA in January 2018 for fifteen years and will include a mixed-waste processing facility.

Litigation

The City has been put on notice of several potential claims by surrounding residents of the Battlefield Golf Club, a golf course constructed by a private entity using fly ash from Dominion Power's energy facility in Chesapeake. Fly ash is associated with contaminants such as arsenic, lead and mercury. An engineering firm hired by the City found elevated levels of lead and other contaminants at the site. A full environmental assessment has been completed by the City. The City is working with MJM Golf, LLC (the owner of the golf course) and Dominion Virginia Power to implement long-term water quality protection measures. Residents living near the golf course filed suit against Dominion Power, the contractor that delivered the fly ash to the site, its subcontractors and the owner of the golf course; however, through rulings of the Chesapeake Circuit Court, the number of plaintiffs and claims for damages have been drastically reduced. The City is not a party to these claims and the likelihood of recovery by the residents against the City is very low. The City's approval of the golf course through the issuance of a conditional use permit was based on information provided by Dominion Virginia Power. It is also to be noted that the Virginia Department of Environmental Quality approved use of fly ash at this location.

Notice of Claim of Estate of Jamycheal Mitchell, deceased

On November 15, 2015, the City of Chesapeake and numerous other parties were served with a Notice of Claim by the estate of Jamycheal Mitchell, who died in the Hampton Roads Regional Jail (HRRJ) on August 19, 2015. Mr. Mitchell was an inmate at HRRJ from May 11, 2015 until the time of his death, which was allegedly caused by neglect of Mr. Mitchell's physical and mental health during his time at HRRJ. The estate seeks damages of \$40,000,000.

Mr. Mitchell was arrested in the City of Portsmouth and, at all times relevant to the notice of claim, was in the custody of the Portsmouth City Jail or HRRJ. Under Virginia law, regional jail authorities are distinct corporate entities that can sue and be sued, and bear independent liability for claims against them. Regional jail member localities are not individually liable for claims against a regional jail and its officers. HRRJ is required to maintain liability insurance which would presumably be available in response to this claim.

If HRRJ has inadequate insurance coverage for this and other pending claims against it, that liability would become an operating expense of HRRJ for which the City would bear pro rata liability of 22.22% of the entire amount of liability in excess of available insurance coverage. The City is unable to predict the outcome of this matter.

(Continued)

(16) Continued***Notice of Claim of Estate of Ronnie Lee Proffitt, deceased***

On September 27, 2016, the City of Chesapeake and numerous other parties were served with a Notice of Claim by the estate of Ronnie Lee Proffitt, who died in the Hampton Roads Regional Jail (HRRJ) on April 27, 2016. Mr. Proffitt was arrested by Chesapeake police officers on March 31, 2016 for a violation of probation and was held in the Chesapeake City Jail until April 14, 2016. Mr. Proffitt was an inmate at HRRJ from April 15, 2016 until the time of his death, which was allegedly caused by the neglect of Mr. Proffitt's physical health and denial of required medication and medical equipment for Mr. Proffitt's heart condition during his time at HRRJ. The notice of claim does not set out specific damages.

Under Virginia law, regional jail authorities are distinct corporate entities that can sue and be sued, and bear independent liability for claims against them. Regional jail member localities are not individually liable for claims against a regional jail and its officers. HRRJ is required to maintain liability insurance which would presumably be available in response to this claim. If HRRJ has inadequate insurance coverage for this and other pending claims against it, that liability would become an operating expense of HRRJ for which the City would bear pro rata liability of 22.22% of the entire amount of liability in excess of available insurance coverage. The City is unable to predict the outcome of this matter.

Notice of Claim of Estate of Henry Clay Stewart, deceased

On December 6, 2016, the City of Chesapeake and numerous other parties were served with a Notice of Claim by the estate of Henry Clay Stewart, who died in the Hampton Roads Regional Jail (HRRJ) on August 6, 2016. Mr. Stewart was an inmate at HRRJ from June 7, 2016 until the time of his death, which was allegedly caused by neglect of Mr. Stewart's physical health and well-being during his time at HRRJ. The estate seeks damages of \$20,000,000.

Mr. Stewart was arrested in the City of Hampton and, at all times relevant to the notice of claim, was in the custody of the Hampton City Jail or HRRJ. Under Virginia law, regional jail authorities are distinct corporate entities that can sue and be sued, and bear independent liability for claims against them. Regional jail member localities are not individually liable for claims against a regional jail and its officers. HRRJ is required to maintain liability insurance which would presumably be available in response to this claim. If HRRJ has inadequate insurance coverage for this and other pending claims against it, that liability would become an operating expense of HRRJ for which the City would bear pro rata liability of 22.22% of the entire amount of liability in excess of available insurance coverage. The City is unable to predict the outcome of this matter.

Department of Justice Notice to the Hampton Roads Regional Jail

On December 12, 2016, the HRRJ notified the City, as a Member locality, that the United States Department of Justice is commencing an investigation into the conditions of confinement at the HRRJ to determine if inmates' rights to adequate medical and mental health care, constitutional rights of inmates with mental illness, and ADA rights of inmates who have mental illness by denying them access to services, programs and activities by reason of their disability, have been violated. No conclusions have been reached about the subject matter of the investigation. The City is advised that HRJJ staff will cooperate fully with the Justice Department during its investigation.

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

Notice of Claim of Estate of Dylan Brockwell, deceased

On August 23, 2016, the City received a letter from the attorney representing the Estate of Dylan Brockwell. The letter puts the City on notice of a potential claim for failure to inspect a medical-gas system that was allegedly improperly installed and allegedly caused the death of Dylan Brockwell during a procedure performed at Western Branch Oral and Maxillofacial Surgery. Although the City has not received a complaint, the outcome of this matter cannot be predicted.

Notice of Claim of Brian Savary

On October 6, 2016, the City received a letter from the attorney representing Brian Savary in a claim against Chesapeake Police Officer Andrew P. Tvaryanas. Attached to the letter was a draft complaint against Officer Tvaryanas arising from an incident on January 15, 2015 which resulted in Officer Tvaryanas arresting Mr. Savary on an obstruction of justice charge. The draft complaint alleges that the officer violated Mr. Savary's civil rights pursuant to 42 U.S.C. § 1983 by using excessive force and cruel and unusual punishment in arresting Mr. Savary, acted in a grossly negligent manner, assaulted and battered Mr. Savary, falsely imprisoned Mr. Savary, intentionally inflicted emotional distress on Mr. Savary and trespassed upon Mr. Savary's property. The draft complaint seeks \$1,500,000 in damages, of which \$350,000 is punitive damages. Although the complaint has not been received, the City is unable to predict the outcome of this matter.

City of Chesapeake v. Ann L. Finck, Trustee of the Ann L. Finck Trust, or Successor

There were two actions filed involving the above referenced landowner prior to FY2016. The first action was the total taking of a parcel of land (Parcel 99) for which defeasible title was acquired by the City by condemnation proceedings initiated by the deposit of funds in the amount of \$85,141 on May 27, 2011. The second action was the partial taking of a parcel of land (Parcel 105) for which defeasible title was acquired by the City by condemnation proceedings initiated by the deposit of funds in the amount of \$108,790 on August 20, 2012. On August 8, 2016, these two matters were settled for the additional sum (excluding combined \$193,931 previously deposited with the Court) of \$178,740 attributable to the Dominion Boulevard Improvements Project.

A third action was initiated with the successor landowners for acquisition of additional property for construction of a connector road. Defeasible title was acquired by the City from Michele and Randall Finck by condemnation proceedings initiated by the deposit of funds in the amount of \$80,000 on March 9, 2016 (and as amended on August 16, 2016) for the partial taking of a parcel of land (Parcel 278). On August 8, 2016, this matter was settled for the additional sum (excluding \$80,000 previously deposited with the Court) of \$147,329 attributable to the Mullen Road Connector to Jones Lane Project.

Master Contractors of VA, Inc. v. City of Chesapeake
(Case Nos. CL13-1263, CL14-502 and CL14-1985)

These suits involve a contract dispute between Master Contractors of VA, Inc. ("Contractor") and the City for construction of the Animal Services Facility on South Military Highway. In 2013, the Contractor filed the first of three suits, all challenging the City engineer's conclusion that the Contractor was not entitled to additional compensation and is seeking compensation associated with its contract to construct the facility. The first suit seeks judgment of \$822,018, the second suit seeks \$266,000 and the third seeks judgment of \$497,991. All the suits seek interest and attorneys' fees. The City has filed Answers and Counterclaims in response to all three lawsuits. The counterclaims seek delay damages and the cost of completing the Facility. All three matters have been consolidated and have been continued generally. Discovery has not been initiated. Mediation is scheduled for two days in mid-November 2016. The Animal Service Facility was placed in service as of December 2012 and is being used for its intended purpose.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

John Rudis v. City of Chesapeake, et al.
(Case No. CL 14-2284)

Filed on September 12, 2014, Plaintiff brings this suit against the City, Fire Chief Edmund Elliott and Fire Captain Christine Dosmann alleging false imprisonment, malicious prosecution and battery. The City has been dismissed entirely from this case and the sole claim remaining after an order reflecting the outcome of the hearing was entered is a claim against Chief Elliott and Captain Dosmann of malicious prosecution. Plaintiff seeks \$450,000 in damages (including \$350,000 in punitive damages), costs and attorney's fees. No trial date has been set.

Courtney Dixon v. City of Chesapeake
(Case No. CL 14-2583)

Filed on October 21, 2014, Plaintiff brings this suit against the City alleging negligence in maintaining the Campostella overpass and allowing ice to accumulate causing personal injuries to Plaintiff. Plaintiff was struck by a vehicle that spun out on the overpass and ran into her. Plaintiff seeks \$5,000,000 in damages and costs. The City filed a Special Plea of Sovereign Immunity, which was heard by the Court on August 22, 2016. A decision on the Special Plea is pending with the Court. Should the Court overrule the Special Plea, a jury trial is scheduled for March 13-14, 2017. The City is unable to predict the outcome of this matter.

Paul L. Phillips and Ryan Phillips v. City of Chesapeake
(Case No. CL 14-1790)

This is a declaratory judgement action which asserts an inverse condemnation claim for the alleged taking and/or damaging of private property for a public road. An amended petition has been filed and answered. In the event that a declaratory judgement is entered in the plaintiffs' favor, an adjudication of just compensation for the taking and/or damaging of private property, and attorney's fees, would be made. The City has asserted several defenses to the claim and a trial on the declaratory judgement action, originally scheduled for December 3, 2015, has been continued generally until after the parties have engaged in all appropriate methods of alternative dispute resolution. The City is unable to predict the outcome of this matter.

Jupiter Dennell Wilson, Sr. v City of Chesapeake
(Case No. 2:16-cv-301, U.S. District Court for the Eastern District of Virginia, Norfolk Division)

Plaintiff *pro se* is a City of Chesapeake firefighter who has filed a second lawsuit against the City pursuant to Title VII of the Civil Rights Act of 1964, as amended, and the Age Discrimination in Employment Act of 1967, as amended. Filed on June 17, 2016, the lawsuit alleges race and age discrimination, hostile work environment and retaliation. The original complaint named individual defendants in the Chesapeake Fire Department but Plaintiff's amended complaint, filed on July 20, 2016, names only the City as a defendant. Plaintiff seeks \$3.4 million in compensatory and punitive damages and \$1.6 million in attorney's fees. Pending before the District Court are the City's motion to dismiss Plaintiff's suit for failure to state a claim upon which relief can be granted, filed on August 12, 2016, among various other motions. Plaintiff previously filed a similar lawsuit against the City and individual defendants in the Chesapeake Fire Department in 2014. The District Court dismissed the lawsuit upon motion of the City and the dismissal was upheld by the Court of Appeals for the Fourth Circuit on Plaintiff's appeal. The City is unable to predict the outcome of this matter.

(Continued)

Notes to Basic Financial Statements
June 30, 2016

(16) Continued

Dismissal and Notice of Rights Letter from EEOC to Jupiter Wilson, Sr.

On February 16, 2016, City of Chesapeake Firefighter Jupiter Wilson, Sr. filed another charge of discrimination with the Equal Employment Opportunity Commission against the City, alleging race and age discrimination and retaliation, in violation of Title VII of the Civil Rights Act of 1967, as amended. In the charge of discrimination, Mr. Wilson names individual firefighters as well as the Chesapeake Fire Department as the perpetrators of the alleged discrimination and retaliation. After an investigation of the charges, on September 30, 2016, the EEOC issued a Dismissal and Notice of Rights letter to Mr. Wilson. Based on Mr. Wilson's history of filing lawsuits against the City after having received previous Dismissal and Notice of Rights letters from the EEOC, and based upon Mr. Wilson's current claim seeking \$5 million in damages, Mr. Wilson may be expected to file a lawsuit based on this charge of discrimination and seeking damages greater than \$150,000. The City is unable to predict the outcome of this matter.

Michael Smith v. Elliot Boyd, Jr.
(Case No. CL 16-528-00, Portsmouth Circuit Court)

On February 19, 2016, a lawsuit was filed against Chesapeake Police Officer Elliot Boyd for injuries the Plaintiff sustained as a result of gunshot wounds to the arm and chest. The lawsuit alleged \$2,500,000 in damages and was later amended to allege \$350,000 in punitive damages. The amended complaint contains counts for negligence, gross negligence, and willful and wonton conduct. A demurrer and Special Plea of Sovereign Immunity were filed on behalf of Officer Boyd. Plaintiff's attorney has agreed that Officer Boyd is immune for simple negligence and the Court granted the demurrer as to punitive damages. The lawsuit is still proceeding as to the gross negligence claim. The City is unable to predict the outcome of this matter.

Raynardo A. Robinson v. City of Chesapeake
(Case No. CL16-2749, Newport News Circuit Court)

On November 10, 2016, the City was served with a lawsuit filed by Raynardo A. Robinson arising from a single-vehicle motorcycle accident that occurred at 1137 Military Highway, Chesapeake, Virginia, on April 9, 2016. Mr. Robinson claims that the City negligently failed to maintain the roadway in a safe condition and, thereby, created a public nuisance, causing him to crash his motorcycle. Mr. Robinson seeks \$1,000,000 in damages for his injuries. He is represented by William D. Breit, Esquire. The City is unable to predict the outcome of this matter.

Pollution Remediation

The City of Chesapeake is under a Commonwealth of Virginia Department of Environmental Quality Consent Order Dated December 19, 2014, relating to sanitary sewer overflows. This order applies to 14 localities in the Hampton Roads Area. The Consent Order reflects a February, 2014 Memorandum of Agreement (MOA) between all of the Localities and the Hampton Roads Sanitation District (HRSD) and assigns responsibilities to each party. HRSD assumes responsibility for all wet weather and capacity based on sanitary sewer overflows and their associated repairs. The City of Chesapeake assumes responsibility for dry weather, maintenance and operations based sanitary overflows and their associated remediation and repair. The HRSD is also subject to a USEPA Consent Decree relating to the same issue, which also identifies responsibilities per the February, 2014 MOA. Per this Consent Decree, HRSD is developing a Regional Wet Weather Management Plan that will identify what work tasks need to be completed when HRSD and localities' sewer systems relating to capacity. Once this plan is completed, each locality, including the City of Chesapeake, will be able to complete development of their own plan identifying what work needs to be completed in order to comply with the DEQ Consent Order.

Notes to Basic Financial Statements
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(17) Fund Results and Reconciliation

Schools Restatement of Net Position

CPS restated beginning net position to correct an overstatement of construction in progress and net position invested in capital assets that occurred in the fiscal year ended June 30, 2015.

As a result, Net Position for the fiscal year ended June 30, 2015 has been restated. The restatement of prior period Net Position, as previously reported for the fiscal year ended June 30, 2015, decreased Net Position by \$4,702,967, as follows (for Governmental Activities):

Net Position as previously reported, June 30, 2015	\$ (441,177,971)
Restatement for prior year construction in progress overstatement	(4,702,967)
Net Position as restated, June 30, 2015	\$ (445,880,938)

Fund Deficits

The Self-Insurance Fund and Self-Funded Health Fund, both Internal Service Funds, had net position deficits of \$2,486,249 and \$1,684,742 respectively at June 30, 2016. These deficits will be funded by future internal billings to other funds of the City.

The Chesapeake Port Authority, a component unit, had a net position deficit of \$933,690 at June 30, 2016. This deficit consists of an advance of \$944,407 to the Port Authority from the City's General Fund to provide working capital. The City has recorded a valuation allowance of an equal amount because the timing and certainty of collection is unknown.

The Chesapeake Public Schools, a component unit, had a net position deficit of \$416,298,344 at June 30, 2016. The deficit is primarily due to a steady increase of Schools' net other postemployment benefits (OPEB) obligation and net pension liability. At June 30, 2016, the School's net OPEB obligation and net pension liability were \$281,100,674 and \$387,087,000 respectively.

(18) Subsequent Events

Dollar Tree, Inc.

In August 2016, Dollar Tree formally announced the expansion of its corporate headquarters, which equates to a \$110.0 million expansion to its headquarters in Greenbrier, 825 saved jobs and the addition of 600 new jobs over the next six years. The City has committed to providing \$4.5 million in incentives to Dollar Tree for retaining the company headquarters in Chesapeake in addition to more than \$9 million coming from the Commonwealth's Opportunity Fund and the Virginia Economic Development Incentive Grant. The Chesapeake City Council is tentatively expected to formally adopt the agreement with Dollar Tree on December 13, 2016. Dollar Tree has not yet revealed a timeline for the construction but said it will take place over the next several years.

Notes to Basic Financial Statements
June 30, 2016

(18) Continued

Emergency Event – Hurricane Matthew

On November 9, 2016 City Council voted to approve an emergency appropriation in the amount of \$4.4 million for estimated clean up and repair expenses incurred as a result of the significant rainfall from Hurricane Matthew in October 2016. Should the President declare an emergency, it is anticipated that these funds will be reviewed for possible recovery from the Federal Emergency Management Agency at a percentage not yet known. The City also appropriated \$200,000 on November 1, 2016 to the not-for-profit agency ForKids, Inc. to provide for grants of up to \$2,000 to Chesapeake inhabitants whose residences met the qualifications by FEMA of completely destroyed or significantly destroyed as a result of Hurricane Matthew. These grants are to assist with interim expenses while their residences are under repair and restoration.

(19) New Accounting Pronouncements

The GASB has issued the following pronouncements prior to June 30, 2016, which have effective dates that may impact future presentations.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and *Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 74 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 will be effective for the City beginning with year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. GASB No. 80 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 will be effective for the City beginning with year ending June 30, 2017.

GASB Statement No. 82, *Pension Issues – an amendment of GASB statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 will be effective for the City beginning with year ending June 30, 2018.

Management has not currently determined what impact the implementation of the above statements may have on the financial statements of the City.

Required Supplementary Information

Chesapeake
VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund - unaudited
 Year Ended June 30, 2016

	General Fund			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
REVENUES				
General property taxes	\$ 297,313,616	297,414,916	299,630,774	2,215,858
Other local taxes	116,866,102	116,866,102	120,535,371	3,669,269
Licenses, permits and fees	8,362,970	8,362,970	8,984,478	621,508
Fines and forfeitures	2,636,393	2,636,393	2,497,583	(138,810)
Investment income	450,000	450,000	1,126,533	676,533
Revenues from use of property	672,928	672,928	661,304	(11,624)
Charges for services	12,271,111	12,301,111	11,676,408	(624,703)
Miscellaneous local revenues	246,000	216,000	482,344	266,344
Recovered costs	110,300	234,216	542,955	308,739
Intergovernmental revenues:				
Commonwealth of Virginia	87,102,303	87,102,303	87,783,619	681,316
Federal government	64,180	64,180	133,929	69,749
Total revenues	526,095,903	526,321,119	534,055,298	7,734,179
EXPENDITURES				
Current:				
General government	116,628,484	116,475,691	101,799,030	14,676,661
Public safety	91,980,982	93,110,777	86,020,828	7,089,949
Public works	67,950,628	67,301,616	60,828,306	6,473,310
Parks and recreation	12,538,722	12,549,177	10,763,256	1,785,921
Debt Service	2,681,250	2,782,550	2,060,375	722,175
Total expenditures	291,780,066	292,219,811	261,471,795	30,748,016
Excess (deficiency) of revenues over (under) expenditures	234,315,837	234,101,308	272,583,503	38,482,195
OTHER FINANCING SOURCES(USES)				
Transfers from other funds	175,000	3,663,695	4,443,249	779,554
Transfer from component units	-	-	168,153	168,153
Transfer from component unit - cash reversion	-	-	1,311,509	1,311,509
Transfers to other funds	(59,844,969)	(61,948,734)	(61,757,276)	191,458
Transfer to component units	(187,972,000)	(187,972,000)	(187,972,000)	-
Total other financing sources (uses)	(247,641,969)	(246,257,039)	(243,806,365)	2,450,674
Net Change in Fund Balance	(13,326,132)	(12,155,731)	28,777,138	40,932,869
Fund balance - beginning	158,890,651	158,890,651	158,890,651	-
Fund balance - ending	\$ 145,564,519	146,734,920	187,667,789	40,932,869

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-2

Schedule of Employer Contributions - Virginia Retirement System - unaudited
 Year Ended June 30, 2016

City

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
June 30, 2016	\$ 23,566,227	23,566,227	-	160,618,476	14.67%
June 30, 2015	23,293,190	23,293,190	-	151,895,543	15.34%
June 30, 2014	21,787,520	21,787,520	-	138,455,434 *	15.74%

Schools' Nonprofessional Employees

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
June 30, 2016	\$ 2,290,138	2,290,138	-	23,095,417	9.92%
June 30, 2015	2,321,931	2,321,931	-	23,066,755	10.07%
June 30, 2014	2,399,609	2,399,609	-	22,808,112	10.52%

Schools' Professional Employees

For Fiscal Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
June 30, 2016	\$ 30,557,558	30,557,558	-	236,403,654	12.93%
June 30, 2015	31,725,142	31,725,142	-	236,110,273	13.44%
June 30, 2014	25,246,663	25,246,663	-	233,462,806	10.81%

* Covered payroll presented as Employer's Covered Employee Payroll not available for 2014.

Schedule is intended to show information for 10 years. Additional years will be included as they are available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2016

City Employees	2015*	2016
Total pension liability		
Service cost	\$ 18,811,281	18,816,001
Interest cost	52,973,477	55,502,643
Difference between expected and actual experience	-	(8,933,171)
Benefit payments, including refunds of employee contributions	(34,074,130)	(37,233,496)
Net change in total pension liability	37,710,628	28,151,977
Total pension liability - beginning	773,801,021	811,511,649
Total pension liability - ending	\$ 811,511,649	839,663,626
Plan fiduciary net position		
Contributions - employer	\$ 21,780,263	23,309,941
Contributions - employee	7,107,584	7,364,024
Net investment income	94,184,657	31,352,624
Benefit payments, including refunds of employee contributions	(34,074,130)	(37,233,496)
Administrative expense	(507,330)	(429,327)
Other	4,964	(6,630)
Net change in plan fiduciary net position	88,496,008	24,357,136
Plan fiduciary net position - beginning	598,576,634	687,072,642
Plan fiduciary net position - ending	\$ 687,072,642	711,429,778
Net pension liability - ending	\$ 124,439,007	128,233,848
Plan fiduciary net position as a percentage of total pension liability	84.67%	84.73%
Covered-employee payroll	\$ 151,895,543	160,618,476
Net pension liability as a percentage of covered-employee payroll	81.92%	79.84%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other historical data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

Schedule of Changes in the Net Pension Liability and Related Ratios - unaudited
Year Ended June 30, 2016

Schools' Nonprofessional Employees:	2015*	2016
Total pension liability		
Service cost	\$ 2,157,963	2,148,602
Interest cost	5,971,479	6,232,246
Difference between expected and actual experience	-	366,267
Benefit payments, including refunds of employee contributions	(4,578,086)	(4,230,322)
Net change in total pension liability	3,551,356	4,516,793
Total pension liability - beginning	87,595,888	91,147,244
Total pension liability - ending	\$ 91,147,244	95,664,037
Plan fiduciary net position		
Contributions - employer	\$ 2,399,609	2,321,495
Contributions - employee	1,057,299	1,063,283
Net investment income	10,545,595	3,503,699
Benefit payments, including refunds of employee contributions	(4,578,086)	(4,230,322)
Administrative expense	(57,298)	(48,093)
Other	556	(743)
Net change in plan fiduciary net position	9,367,675	2,609,319
Plan fiduciary net position - beginning	67,634,802	77,002,477
Plan fiduciary net position - ending	\$ 77,002,477	79,611,796
Net pension liability - ending	\$ 14,144,767	16,052,241
Plan fiduciary net position as a percentage of total pension liability	84.48%	83.22%
Covered-employee payroll	\$ 22,808,112	23,066,755
Net pension liability as a percentage of covered-employee payroll	62.02%	69.59%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-5

Schedule of Employer's Share of Net Pension Liability - unaudited
 VRS Teacher Retirement Plan
 Year Ended June 30, 2016

Schools' Professional Employees:	2015*	2016
Employer's Proportion of the Net Pension Liability (Asset)	2.96080%	2.94792%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 357,804,000	371,035,000
Employer's Covered-Employee Payroll	\$ 233,462,806	236,110,273
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	153.26%	157.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Unaudited - see accompanying auditors' report and notes to required supplementary information

Schedules of Funding Progress - Other Postemployment Benefits - unaudited
Year Ended June 30, 2016

City	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2016	June 30, 2016	\$ 74,600,436	75,820,000	1,219,564	98.39%	\$ 147,326,696	0.83%
	July 1, 2015	June 30, 2015	66,697,474	111,653,000	44,955,526	59.74%	146,633,012	30.66%
	July 1, 2014	June 30, 2014	53,253,294	125,608,000	72,354,706	42.40%	140,598,239	51.46%

Schools	Actuarial Valuation Date	For Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	July 1, 2015	June 30, 2016	\$ 11,904,540	145,505,736	133,601,196	8.18%	\$ 239,436,096	55.80%
	July 1, 2014	June 30, 2015	11,658,005	142,117,300	130,459,295	8.20%	240,652,174	54.21%
	July 1, 2013	June 30, 2014	9,427,243	143,710,654	134,283,411	6.56%	237,598,942	56.52%

Excludes pension obligation for Chesapeake Public Schools teachers who are included in a statewide teacher pension system with Virginia Retirement System

CITY OF CHESAPEAKE, VIRGINIA

Schedule L-7

Schedules of Employer Contributions - Other Postemployment Benefits - unaudited
 Year Ended June 30, 2016

City				
		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2016	\$	3,089,000	8,643,349	279.81%
2015		7,851,000	13,401,054	170.69%
2014		10,615,000	13,640,552	128.50%

Schools				
		Annual Required Contribution	Actual Amount Contributed in Dollars	Actual Amount Contributed in Percent
Fiscal year ended June 30:				
2016	\$	12,377,878	6,100,004	49.28%
2015		12,017,270	6,637,601	55.23%
2014		12,216,794	7,753,753	63.47%

Notes to Required Supplementary Information
June 30, 2016

(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, Public Utilities Construction Funds, Chesapeake Transportation System Construction Fund, Stormwater Management Construction Fund, Grants Fund, Open Space Agriculture Preservation Fund and the Community Development Fund utilize project budgets in lieu of legally adopted annual budgets. The City Council does not adopt a budget for CSB of Chesapeake, Inc.

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

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

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

The City Council may authorize supplemental appropriations during the fiscal year based on the availability of financial resources. Additionally, City Council approves transfers of funds between departments and programs. Any revisions that alter total appropriations must be approved by City Council. The legal level of budgetary control rests at the fund level.

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

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

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

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

Notes to Required Supplementary Information
June 30, 2016

(2) **Retirement Plans**

Changes of benefit terms – All Plans

There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the VRS for the four year period ending June 30, 2012:

Schools Professional Employees

- Update mortality table
- Adjustment to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

City Employees and Schools Nonprofessional Employees

Largest 10 – Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOs:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOs:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOs:

- Update mortality table
- Adjustment to the rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Other Supplementary Information -
Combining and Individual Fund
Schedules

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

General Fund

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

A significant part of the General Fund's revenue is transferred to component units and other funds, principally to fund operations of the Chesapeake Public Schools, the Virginia Public Assistance Fund, the Community Services Fund, 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, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
General property taxes			
Current taxes on real property	\$ 229,675,016	231,087,139	1,412,123
Current taxes on public service corporations	8,640,000	9,004,095	364,095
Current taxes on personal property	41,250,000	41,190,832	(59,168)
Delinquent taxes on real property	3,908,500	3,206,902	(701,598)
Delinquent taxes on personal property	11,336,100	12,330,811	994,711
Penalties, interest and advertising	2,605,300	2,810,995	205,695
Total general property taxes	297,414,916	299,630,774	2,215,858
Other local taxes			
Local sales and use taxes	37,545,100	38,134,836	589,736
Consumer utility taxes	10,464,000	10,549,605	85,605
Communications sales tax	7,152,002	6,560,015	(591,987)
Business license taxes	25,500,000	25,432,077	(67,923)
Local utility consumption tax	830,000	843,792	13,792
Bank stock taxes	1,350,000	1,629,044	279,044
Taxes on recordation and wills	2,100,000	3,341,663	1,241,663
Tobacco taxes	4,500,000	4,559,533	59,533
Hotel and motel room taxes	4,000,000	4,382,166	382,166
Restaurant food taxes	22,000,000	23,612,981	1,612,981
Admission taxes	940,000	861,479	(78,521)
Short-term rental taxes	485,000	628,180	143,180
Total other local taxes	116,866,102	120,535,371	3,669,269
Revenues from local sources			
Licenses, permits and fees:			
Bicycle licenses	-	16	16
Building structure and equipment permits	883,700	1,125,756	242,056
Precious metals and gems permits	5,200	3,600	(1,600)
Highway and driveway permits	18,100	24,390	6,290
Transfer fees	6,400	6,907	507
Zoning inspection fees	52,600	55,996	3,396
Building inspection fees	93,300	112,064	18,764
Electrical inspection fees	258,000	306,901	48,901
Elevator inspection fees	20,100	10,240	(9,860)
Plumbing inspection fees	152,500	247,031	94,531
Mechanical permits	329,700	437,154	107,454
Subdivision review fees	226,070	167,750	(58,320)
Solicitors permits	4,000	4,654	654
Taxi operators licenses	1,800	1,360	(440)
Motor vehicle license	6,058,000	6,229,565	171,565
Inspection fees - gas appliances	55,500	69,368	13,868
Animal license and fees	173,300	168,470	(4,830)
Rodent free certification fee	5,500	5,350	(150)
Hunting and fishing license	-	171	171
Rental inspection fees	19,200	7,735	(11,465)
Total licenses, permits and fees	8,362,970	8,984,478	621,508
Fines and forfeitures	2,636,393	2,497,583	(138,810)
Investment income	450,000	1,126,533	676,533

(Continued)

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Revenues from use of property:			
Rental of general property	\$ 218,628	229,613	10,985
Rental of recreational properties and facilities	403,600	379,908	(23,692)
Library rental revenue	14,700	16,748	2,048
Rental of showmobile	36,000	35,035	(965)
Total revenues from use of property	672,928	661,304	(11,624)
Charges for services:			
Special court costs	78,000	65,179	(12,821)
Law library fees	87,000	86,877	(123)
Accident report fees	48,600	131,066	82,466
Municipal court fees	55,100	41,191	(13,909)
Civil penalties	49,300	37,755	(11,545)
Non-support fees	89,900	116,974	27,074
Commonwealth's Attorney fees	24,800	21,690	(3,110)
Police escort fees	24,000	24,683	683
Sale of service - police	155,250	188,302	33,052
Fire report fees	700	1,000	300
Sheriff fees	22,861	22,861	-
Inmate medical fees	12,500	(4,453)	(16,953)
Sale of service - jail	379,600	175,927	(203,673)
Sale of service - jail inmates	78,110	69,181	(8,929)
Inmate phone system - jail	395,930	719,312	323,382
Sale of service - sheriff	729,300	297,055	(432,245)
Sale of service - public works	275,600	287,029	11,429
Engineering and administrative fees	63,200	15,019	(48,181)
Recreation fees	1,320,000	1,325,959	5,959
Library fines and fees	267,010	319,441	52,431
Lot processing fees	116,200	95,550	(20,650)
Sale of service - planning	3,200	5,465	2,265
Sale of service - public information	200	176	(24)
Sale of publications	-	10	10
Returned check fees	14,500	12,814	(1,686)
Custodian service	100,000	106,902	6,902
Wage assignment fees	6,100	-	(6,100)
Sale of service - assessor	5,900	7,563	1,663
Emergency medical service fees	6,165,500	5,634,471	(531,029)
Administration collected fees	796,850	878,497	81,647
Wetland board civil fees	39,700	28,593	(11,107)
Passport application fee	76,100	90,835	14,735
Sale of service - Commissioner of the Revenue	50,000	78,039	28,039
Subdivision inspection fees	558,700	364,450	(194,250)
Fire plan review fees	35,000	47,476	12,476
Zoning fees	24,600	24,215	(385)
Building plan fees	53,900	69,427	15,527
Inspections technology fee	67,100	81,730	14,630
E-Government subscription fee	30,800	28,317	(2,483)
Cable franchise fees	-	179,686	179,686
Waste and recycling service	-	144	144
Total charges for services	12,301,111	11,676,408	(624,703)

(Continued)

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from local sources, continued:			
Miscellaneous local revenues:			
Sale of real property	\$ -	69,870	69,870
Sale of ARC - public works	14,400	18,267	3,867
Local grant - TCI capital equipment	5,000	-	(5,000)
Sale of junk and salvage	4,000	10,087	6,087
Sale of food and beverages	92,000	30,191	(61,809)
Escheated funds	-	23,187	23,187
Other revenue	100,600	330,742	230,142
Total miscellaneous local revenues	216,000	482,344	266,344
Recovered costs:			
Insurance claims and collections	58,591	66,858	8,267
Other recoveries and rebates	175,625	472,632	297,007
Recoveries - Jury	-	3,465	3,465
Total recovered costs	234,216	542,955	308,739
Total revenues from local sources	439,154,636	446,137,750	6,983,114
Revenues from the Commonwealth			
Noncategorical aid:			
Motor vehicle carrier taxes	184,000	183,545	(455)
Mobile home titling taxes	42,500	32,615	(9,885)
Indirect costs	370,000	392,158	22,158
Daily rental taxes - auto	855,000	1,026,501	171,501
Deed taxes	640,000	870,963	230,963
Personal Property Tax Relief	28,590,001	28,590,001	-
Total noncategorical aid	30,681,501	31,095,783	414,282
Categorical aid:			
Shared expenses:			
Commonwealth's Attorney	1,893,421	1,920,314	26,893
Sheriff	9,455,906	9,673,117	217,211
Commissioner of the Revenue	351,476	357,546	6,070
Treasurer	372,341	378,762	6,421
Registrar/Electoral Board	76,829	87,302	10,473
Circuit court clerk	1,303,396	1,172,994	(130,402)
Agriculture	75,348	84,105	8,757
Total shared expenses	13,528,717	13,674,140	145,423

(Continued)

General Fund
 Schedule of Revenues and Other Financing Sources -
 Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
Revenues from the Commonwealth, continued:			
Other categorical aid:			
Local jail	\$ 2,012,445	1,815,420	(197,025)
Police	6,299,897	6,299,896	(1)
Street and highway maintenance	33,284,580	33,344,932	60,352
Library	175,163	179,496	4,333
Excess fees	120,000	269,217	149,217
Transportation improvement set-aside	1,000,000	1,104,735	104,735
Total other categorical aid	42,892,085	43,013,696	121,611
Total categorical aid	56,420,802	56,687,836	267,034
Total revenues from the Commonwealth	87,102,303	87,783,619	681,316
Revenues from the Federal Government			
Noncategorical aid - Refuge Revenue Sharing Act	29,100	33,615	4,515
Categorical aid:			
Other federal grants	15,080	11,265	(3,815)
Drug Enforcement Agency	-	53,610	53,610
Emergency reimbursement - federal	20,000	35,439	15,439
Total revenues from the Federal Government	64,180	133,929	69,749
Total revenues	526,321,119	534,055,298	7,734,179
OTHER FINANCING SOURCES			
Payments from component units:			
Chesapeake Public Schools	-	168,153	168,153
Chesapeake Public Schools - cash reversion	-	1,311,509	1,311,509
Transfers from other funds	3,663,695	4,443,249	779,554
Total other financing sources	3,663,695	5,922,911	2,259,216
Total revenues and other financing sources	\$ 529,984,814	539,978,209	9,993,395

CITY OF CHESAPEAKE, VIRGINIA

Schedule M-2

General Fund
 Schedule of Expenditures, Encumbrances and Other Financing Uses -
 Budget and Actual
 Year Ended June 30, 2016

	Appropriations	Operating	Expenditures		Total	Balance	Encumbrances	Unencumbered Balance
			Capital Outlay					
EXPENDITURES								
General government:								
Legislative Department - City Council	\$ 985,544	851,407	-	-	851,407	134,137	1,154	132,983
Executive Department:								
City manager	1,840,259	1,540,139	-	-	1,540,139	300,120	354	299,766
Public communications	1,312,456	1,191,742	6,600	-	1,198,342	114,114	-	114,114
Contingencies	4,714,846	-	-	-	-	4,714,846	-	4,714,846
Environmental emergencies	235,428	1,904	-	-	1,904	233,524	-	233,524
Department of Law - City Attorney	2,206,029	1,820,739	-	-	1,820,739	385,290	-	385,290
Department of Finance:								
Commissioner of revenue	3,574,592	3,404,099	33,496	-	3,437,595	136,997	-	136,997
Real estate assessor	2,481,255	2,003,130	-	-	2,003,130	478,125	844	477,281
Board of equalization	4,333	2,455	-	-	2,455	1,878	-	1,878
City treasurer	5,213,046	4,201,982	-	-	4,201,982	1,011,064	31,236	979,828
Director of finance	2,582,412	2,300,504	-	-	2,300,504	281,908	49,987	231,921
Economic development	1,759,330	1,641,881	-	-	1,641,881	117,449	300	117,149
Budget director	679,155	647,277	-	-	647,277	31,878	107	31,771
City auditor	600,043	584,129	-	-	584,129	15,914	-	15,914
Independent auditors	187,220	145,702	-	-	145,702	41,518	-	41,518
Financial advisory services	55,380	8,591	-	-	8,591	46,789	16,667	30,122
Department of Human Resources:								
Human resources	2,251,713	2,095,917	-	-	2,095,917	155,796	-	155,796
HIPAA	212,004	187,392	-	-	187,392	24,612	-	24,612
Judicial Department:								
Circuit court	680,423	610,988	-	-	610,988	69,435	-	69,435
Magistrates office	70,538	54,593	-	-	54,593	15,945	-	15,945
General district court	315,859	258,065	-	-	258,065	57,794	7,746	50,048
Juvenile and domestic relations court	133,824	104,230	-	-	104,230	29,594	3,799	25,795
Court services unit	328,090	254,249	-	-	254,249	73,841	-	73,841
Commonwealth's attorney	4,337,399	4,210,793	-	-	4,210,793	126,606	-	126,606
Circuit court clerk	2,448,925	2,055,700	-	-	2,055,700	393,225	-	393,225
Sheriff	43,531,580	40,477,368	127,632	-	40,605,000	2,926,580	84,849	2,841,731
Purchasing	922,207	810,199	-	-	810,199	112,008	-	112,008
Department of Public Health:								
Adult clinics	425,000	425,000	-	-	425,000	-	-	-
General clinics	1,714,327	1,701,303	-	-	1,701,303	13,024	2,667	10,357
OSHA services	723,934	681,060	-	-	681,060	42,874	11,059	31,815

(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, 2016

	Appropriations	Expenditures			Total	Balance	Encumbrances	Unencumbered Balance
		Operating	Capital Outlay					
General government, continued:								
Department of Public Library:								
Public library	\$ 8,832,927	7,966,620	38,804		8,005,424	827,503	139,018	688,485
Public library state aid	180,075	179,385	-		179,385	690	158	532
Law library	104,466	103,092	-		103,092	1,374	-	1,374
Boards and Commissions:								
Planning department	2,158,140	1,927,582	-		1,927,582	230,558	-	230,558
Planning commission	236,824	57,962	-		57,962	178,862	-	178,862
Electoral board	1,103,928	1,110,256	-		1,110,256	(6,328)	-	(6,328)
Electoral workers	208,996	194,514	-		194,514	14,482	-	14,482
Department of Agriculture	412,614	391,677	-		391,677	20,937	-	20,937
Bureau of Community Programs	1,137,276	1,048,710	-		1,048,710	88,566	12,095	76,471
Customer Contact Center	752,293	722,033	-		722,033	30,260	-	30,260
Department of Development and Permits:								
Code compliance and zoning administration	3,945,969	3,419,373	-		3,419,373	526,596	-	526,596
Development and permits administration	2,746,895	2,407,304	-		2,407,304	339,591	-	339,591
Nondepartmental:								
Support of civic and community organizations	356,019	325,402	-		325,402	30,617	-	30,617
Regional cooperation and support	6,525,452	5,683,577	-		5,683,577	841,875	-	841,875
Other nondepartmental support	973,666	1,509,473	-		1,509,473	(535,807)	-	(535,807)
Chesapeake regional airport	273,000	273,000	-		273,000	-	-	-
Debt service	2,782,550	2,060,375	-		2,060,375	722,175	-	722,175
Total general government	119,258,241	103,652,873	206,532		103,859,405	15,398,836	362,040	15,036,796
Public Safety:								
Police department	43,587,382	40,124,472	26,378		40,150,850	3,436,532	206,422	3,230,110
Animal control	1,778,405	1,537,753	-		1,537,753	240,652	17,004	223,648
Public safety training	1,635,647	1,441,588	22,268		1,463,856	171,791	27,430	144,361
Fire department	44,120,473	40,138,066	870,020		41,008,086	3,112,387	88,881	3,023,506
Fire prevention bureau	1,337,302	1,225,708	-		1,225,708	111,594	-	111,594
Fire training	307,571	301,769	-		301,769	5,802	-	5,802
Emergency management operations	343,997	332,806	-		332,806	11,191	-	11,191
Total public safety	93,110,777	85,102,162	918,666		86,020,828	7,089,949	339,737	6,750,212
Public works:								
Engineering and administration	5,106,427	4,636,093	-		4,636,093	470,334	29,732	440,602
Traffic engineering	6,553,787	5,889,620	147,822		6,037,442	516,345	17,776	498,569
Street maintenance	6,897,032	4,670,452	862,189		5,532,641	1,364,391	624,464	739,927
Bridges and structures	3,225,053	2,324,122	103,697		2,427,819	797,234	250,059	547,175
Bureau of drainage	3,550,975	1,819,273	287,750		2,107,023	1,443,952	1,065,258	378,694

(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, 2016

	Expenditures					Unencumbered Balance
	Appropriations	Operating	Capital Outlay	Total	Encumbrances	
Public works, continued:						
Contractual services	\$ 9,144,158	8,904,976	-	8,904,976	239,182	362,659
Buildings maintenance	6,705,820	6,167,363	66,599	6,233,962	471,858	15,326
Facilities Management - building	1,433,290	1,166,788	-	1,166,788	266,502	16,272
Public works operations	1,005,574	951,406	-	951,406	54,168	-
Solid waste collection	8,658,404	7,932,763	20,617	7,953,380	705,024	11,767
SPSA	15,021,096	14,876,776	-	14,876,776	144,320	96,249
Total public works	67,301,616	59,339,632	1,488,674	60,828,306	6,473,310	2,489,562
Parks and recreation:						
Administration	2,630,705	2,559,618	-	2,559,618	71,087	60
Community centers	2,080,276	1,904,248	41,170	1,945,418	134,858	16,541
Parks operations	1,446,208	1,059,560	-	1,059,560	386,648	12,721
Parks and grounds maintenance	3,195,437	2,303,259	388,971	2,692,230	503,207	147,606
Parks, grounds and building maintenance - warehouse and work order	161,310	129,820	-	129,820	31,490	-
Recreation programs	1,053,668	917,535	-	917,535	136,133	22,694
Special programs	1,909,998	1,404,411	-	1,404,411	505,587	749
Fine arts programs	71,575	54,664	-	54,664	16,911	-
Total parks and recreation	12,549,177	10,333,115	430,141	10,763,256	1,785,921	200,371
Total expenditures and encumbrances	292,219,811	258,427,782	3,044,013	261,471,795	30,748,016	3,391,710
OTHER FINANCING USES						
Transfers to component unit:						
Public Schools	\$ 187,972,000	187,972,000	-	187,972,000	-	-
Transfers to other funds:						
Debt Service Fund	30,079,966	29,872,789	-	29,872,789	207,177	-
Capital Projects Fund	12,196,376	12,196,376	-	12,196,376	-	-
Virginia Public Assistance Fund	7,358,682	7,358,682	-	7,358,682	-	-
Community Services Fund	7,805,913	7,805,913	-	7,805,913	-	-
Interagency Consortium Fund	1,450,979	1,450,979	-	1,450,979	-	-
Grants Fund	44,791	60,510	-	60,510	(15,719)	-
Chesapeake Juvenile Services Fund	2,412,027	2,412,027	-	2,412,027	-	-
Information Technology Fund	600,000	600,000	-	600,000	-	-
Total transfers to other funds	61,948,734	61,757,276	-	61,757,276	191,458	191,458
Total other financing uses	249,920,734	249,729,276	-	249,729,276	191,458	-
Total expenditures, encumbrances and other financing uses	\$ 542,140,545	508,157,058	3,044,013	511,201,071	30,939,474	3,391,710
						27,547,764

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.



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Chesapeake
VIRGINIA

Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment income	\$ -	191,865	191,865
Revenues from use of property	54,889	54,889	-
Miscellaneous local revenues	62,171	185,920	123,749
Intergovernmental revenues:			
Federal government - American Reinvestment and Recovery Act	888,431	892,605	4,174
Total revenues	1,005,491	1,325,279	319,788
EXPENDITURES			
Interest on general obligation bonds	12,039,035	12,039,033	2
Interest on literary loans	29,930	29,930	-
Interest on open space agriculture preservation	64,430	64,430	-
Other debt expenditures	160,106	112,144	47,962
Redemption of general obligation bonds	27,014,908	27,014,908	-
Redemption of literary loans	199,537	199,537	-
Total expenditures	39,507,946	39,459,982	47,964
Excess (deficiency) of revenues over (under) expenditures	(38,502,455)	(38,134,703)	367,752
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
General Fund	30,079,966	29,872,789	(207,177)
Tax Increment Financing - Greenbrier Fund	1,471,089	1,470,928	(161)
Tax Increment Financing - South Norfolk Fund	604,215	606,123	1,908
Integrated Behavioral Healthcare Fund	290,650	290,650	-
Conference Center Fund	1,000,000	249,776	(750,224)
Open Space Agriculture Preservation Fund	64,430	64,430	-
Proffers Fund	387,000	387,000	-
Capital Projects Fund	-	354,682	354,682
Total transfers from other funds	33,897,350	33,296,378	(600,972)
Payments from component unit - Public Schools Capital Projects Fund	-	67,117	67,117
Premium on VPSA bonds	-	1,927,919	1,927,919
VPSA bonds proceeds	-	12,170,000	12,170,000
Proceeds from general obligation refunding bonds issued	105,106	-	(105,106)
Payment to component unit - Public Schools Capital Projects Fund	-	(14,009,475)	(14,009,475)
Total other financing sources (uses), net	34,002,456	33,451,939	(550,517)
Net Change in Fund Balance	(4,499,999)	(4,682,764)	(182,765)
Fund balance - beginning	24,023,098	24,023,098	-
Fund balance - ending	\$ 19,523,099	19,340,334	(182,765)

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Chesapeake
VIRGINIA

Capital Projects Funds

General 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.

Public Utilities Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for Public Utilities.

Chesapeake Transportation System Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for the Chesapeake Transportation System.

Stormwater Management Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of most major capital facilities or infrastructure for Stormwater Management.



CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations			Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year						
General construction projects:									
General Government:									
1011210100	American with Disability Act III	221	-	-	-	221	220	1	*
1011210100	American with Disability Act III	8,440	8,440	-	-	8,440	-	-	-
1011500100	Public Works/Public Utilities Operation Relocation Ph I	9,700,000	2,500,671	25,400	2,526,071	7,173,929	18,400	7,155,529	
1011600100	Mosquito Control Facility Relocation	7,210,320	147,737	477,209	624,946	6,585,374	135,810	6,449,564	
1011700100	Airport Authority Renovations	307,000	104,425	-	104,425	202,575	-	202,575	
1011800100	Compressed Natural Gas (CNG) Fueling Station # 2	1,350,000	-	-	-	1,350,000	-	1,350,000	
1021200100	Facilities High Priority Renewal & Replacement	2,687,973	2,687,066	-	2,687,066	907	-	907	
1021500100	High Priority Renewal and Replacements III	4,910,000	1,567,591	2,209,725	3,777,316	1,132,684	838,731	293,953	
1021600100	Solid Waste Facility Relocation	2,170,000	-	21,359	21,359	2,148,641	196,641	1,952,000	
1021700100	Dominion Boulevard Corridor	345,600	306,512	7,389	313,901	31,699	5,607	26,092	
1021800100	Jordan Bridge Memorial	100,000	-	-	-	100,000	-	100,000	
1030810100	American with Disability Act II	20	-	-	-	20	-	20	
1030810100	American with Disability Act II	13,346	13,346	-	13,346	-	-	-	*
1032000100	City Hall 6th Floor Redesign - City Attorney & Manager	100,000	-	-	-	100,000	-	100,000	
1041500100	Municipal Parking Lots and Sidewalks II	800,000	413,082	311,615	724,696	75,304	40,434	34,870	
1041700100	South Norfolk - Strategic Acquisition of Real Property	3,351,974	32,953	-	32,953	3,319,021	-	3,319,021	
1042000100	Juvenile Services Building Renovations	2,000,000	-	-	-	2,000,000	-	2,000,000	
1051000100	Parole & Probation	3,100,000	-	-	-	3,100,000	-	3,100,000	
1051600100	Disaster Recovery Backup Radio System	32	-	-	-	32	-	32	
1051700100	Council Chambers and Work Session Room	436	-	-	-	436	-	436	
1061600100	Enterprise Kronos Upgrade	1,616	-	-	-	1,616	-	1,616	
1061700100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	68,414	12,090	41,805	53,894	14,520	13,479	1,041	
1061710100	Enterprise Financials PeopleSoft/PeopleTools Upgrade	620,000	-	-	-	620,000	-	620,000	
1071600100	FCC Narrowbanding Compliance	700	-	-	-	700	-	700	
1071700100	Enterprise Wide Technology Improvement - Phase III	750,000	166,650	128,846	295,496	454,504	10,606	443,898	
1081600100	Project 25 Radto System	9,601,674	1,249,467	5,306,683	6,556,150	3,045,524	629,591	2,415,932	
1081700100	Human Services Case Management System	354,540	-	-	-	354,540	-	354,540	
1081900100	Public Health Center/Health Department Expansion	5,558,826	-	-	-	5,558,826	-	5,558,826	
1090900100	South Norfolk Strategic Development	31,325	-	-	-	31,325	-	31,325	
1091100100	Greenbrier - Wayfinding Signage	236,411	66,976	-	66,976	169,435	-	169,435	
1091400100	Human Services - HVAC/Emergency Exit	8,320	-	-	-	8,320	-	8,320	
1091700100	Kronos Upgrade	130,000	-	-	-	130,000	-	130,000	
1091900100	Telephone System Upgrades Phase II	348,452	345,092	-	345,092	3,360	-	3,360	
1101200100	South Norfolk Community Development	100,000	32,812	-	32,812	67,188	-	67,188	
1101410100	Telephone System Upgrade	5,052	-	-	-	5,052	-	5,052	
1101900100	Fentress Encroachment Protection	4,440,149	780,408	20,021	20,021	4,420,128	-	4,420,128	*
1101900100	Fentress Encroachment Protection	3,095,749	-	2,315,341	3,095,749	-	-	-	
1111700100	Maximo Upgrade and Integration to Peoplesoft	305,600	-	-	-	305,600	-	305,600	
1111900100	Citizen Mobile Apps Project	150,000	-	-	-	150,000	-	150,000	
1112000100	Information Technology Help Desk Software Replacement	254,043	-	11,610	11,610	242,433	-	242,433	
1121100100	Enterprise Wide Technology Improvement	23	-	-	-	23	-	23	

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations			Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year						
General construction projects, continued:									
General Government, continued:									
1121400100	e-Government Initiative Phase II Web 2.0	\$ 8,200	-	-	-	8,200	-	-	8,200
1121700100	Real Estate Assessor Computer Assisted Mass Appraisal	858,093	380,743	141,390	-	522,133	335,961	207,973	127,988
1122000100	Conference Center Renovation	505,000	-	36,228	-	36,228	468,772	75,607	393,165
1131200100	Greenbrier TIF - Greenbrier Center District	3,541,254	1,561,199	810	-	1,562,009	1,979,245	414,382	1,564,863
1131210100	Greenbrier TIF - Battlefield/Volvo Improvements	681,402	571,649	-	-	571,649	109,753	-	109,753
1131220100	Greenbrier TIF - Streetscape Lighting	1,451,197	-	654	-	654	1,450,543	-	1,450,543
1131700100	WCTV Field and Remote Equipment Replacements	295	-	-	-	295	-	-	295
1141000100	Greenbrier TIF - Conference Center District	99,697	33,376	-	-	33,376	66,321	-	66,321
1141700100	WCTV Studio Equipment Replacements	126	-	-	-	126	-	-	126
1150900100	Fire Station 3 - Indian River	3,240	-	-	-	3,240	-	-	3,240
1151000100	Conference Center Renovations	694,319	155,402	-	-	155,402	538,917	44,201	494,717
1151300100	Enterprise Wide Tech Improvements	9,369	-	-	-	9,369	-	-	9,369
1171900100	Social Services Carpet and Workstations Replacement	1,160,000	515,071	463,338	-	978,410	181,590	-	181,590
1181000100	Greenbrier Gateway Signage	250,000	-	-	-	250,000	-	-	250,000
1181200100	Municipal District - Greenbrier TIF	11,369	-	-	-	11,369	-	-	11,369
1181300100	Greenbrier TIF - Woodlake Drive Expansion	10,915,970	5,758,126	748,943	-	6,507,069	4,408,901	-	4,408,901
1191200100	South Norfolk TIF - Poindexter Street Scope	248,127	10,275	-	-	10,275	237,852	-	237,852
1201000100	Greenbrier Center Pedestrian Safety	1,310,238	-	-	-	1,310,238	-	-	1,310,238
1201200100	South Norfolk TIF - Library Expansion	61,992	6,789	2,072	-	8,862	53,131	10,891	42,239
1201900100	Case Mgmt Software-City Attny & Comm Attny	161,178	-	-	-	161,178	-	10,539	150,638
1201900100	Case Mgmt Software-City Attny & Comm Attny	293,022	225,124	67,898	-	293,022	-	-	-
1211200100	22nd Street Bridge Replacement	6,049,300	388,758	672,975	-	1,061,733	4,987,567	485,482	4,502,084
1212000100	ADA Door & Restroom Retrofits at Various Facilities - Ph I	220,000	-	1,819	-	1,819	218,181	89,390	128,791
1221000100	EMS Field Data Collection and Billing System	27,521	-	-	-	27,521	-	-	27,521
1271600100	PeopleTools Upgrade Comp IRS	703,265	512,884	33,362	-	546,246	157,019	20,283	136,735
1281500100	Mainframe Migration Project Phase I	5,500,000	5,405,518	94,482	-	5,500,000	-	-	-
1281600100	Voting Equipment Replacement	335	-	-	-	335	-	-	335
1411300100	Risk Management Software I	208,745	74,575	-	-	74,575	134,169	108,857	25,312
1441300100	Fast Payback Energy Conservation	1,300,000	783,576	-	-	783,576	516,425	-	516,425
1451300100	Circuit Court Clerk Security and Document Preservation	1,524	-	-	-	1,524	-	-	1,524
1452000100	22nd Street Commercial Site Preparation	50,000	-	35,202	-	35,202	14,799	6,699	8,100
1482000100	SoNo Municipal Facility Development Strategy	125,000	-	-	-	125,000	-	-	125,000
1491700100	Street Light Improvements - South Norfolk TIF	296,400	249,880	-	-	249,880	46,520	29,339	17,181
1561700100	Electronic Plan & Permitting System	1,359,390	-	26,102	-	26,102	1,333,289	520,018	813,271
1561700100	Electronic Plan & Permitting System	1,846,256	1,491,851	354,405	-	1,846,256	-	-	-
1611200100	Municipal Center Parking Lots / Sidewalks	776,932	776,932	-	-	776,932	-	-	-
1621200100	Commerce Park	2,434,565	580,783	172,062	-	752,845	1,681,720	128,239	1,553,482
1621210100	Greenbrier Circle Access Road	800,000	8,907	398,150	-	407,057	392,943	33,703	359,240
1631210100	Elizabeth River Landing Park	4,385,001	4,179,797	164,300	-	4,344,097	40,904	-	40,904

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations		Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
	Prior Years	Current Year	Prior Years	Current Year				
General construction projects, continued:								
General Government, continued:								
1911200100 Personal Property System Rewrite	\$ 700,000	40,013	659,988	-	700,000	-	-	-
1921200100 Human Resource/Payroll System	4,666	-	-	4,666	-	4,666	-	4,666
1921200100 Human Resource/Payroll System	324,576	2,750	321,826	-	324,576	-	-	-
1981200100 Community Revitalization	1,366,359	813,956	813,956	-	813,956	552,404	-	552,404
Total General Government	114,960,175	14,333,956	35,902,300	14,333,956	50,236,256	64,723,919	4,075,122	60,648,797
Department of Public Safety:								
1011900200 Replace Cooling Towers - Courts, Public Safety, & Jail	575,000	-	-	-	-	575,000	-	575,000
1040900200 Grade Crossing Safety & Intersection	148,779	2,632	2,632	-	2,632	146,147	-	146,147
1041800200 Jail Expansion to Address Overcrowding	29,048,877	330,470	330,470	1,735,194	2,065,664	26,983,213	407,697	26,575,516
1061100200 Land Acquisition - Fire Station #10 / Police Precinct #6	540	-	-	-	540	-	-	540
1071100200 Fire Station #10 - Design	8,039,150	416,929	416,929	389,707	806,636	7,232,514	455,429	6,777,085
1101600200 Combined Fire Station #7/Police Precinct #6	7,259,441	74,205	74,205	284,474	358,678	6,900,762	246,132	6,654,631
1102000200 Police Mobile Communication Security	95,000	-	-	95,000	95,000	-	-	-
1131100200 Self Contained Breathing Apparatus	620	-	-	-	620	-	-	620
1152000200 Biomedical Equipment	403,993	-	-	401,182	401,182	2,811	-	2,811
1172000200 Biomedical Equipment	1,321,007	-	-	1,321,007	1,321,007	-	-	-
1182000200 Fire Alarm and Public Address System	150,000	-	-	-	150,000	-	-	150,000
1182000200 Precinct Security Camera System Upgrades	25,809	-	-	-	25,809	-	-	25,809
1182000200 Precinct Security Camera System Upgrades	94,191	-	-	94,191	94,191	-	-	-
1241000200 Restroom Renovations Firestation #13	879,225	-	-	-	879,225	-	-	879,225
1251500200 Diesel Exhaust Extraction Systems	505,275	50,137	402,497	-	452,634	52,641	14,516	38,125
1251900200 Emergency Vehicle Storage Facility	612,400	-	-	-	612,400	-	-	612,400
1331900200 HR Regional Jail Authority Participation	3,000,000	1,000,000	1,000,000	-	2,000,000	1,000,000	-	1,000,000
1371400200 Animal Services Facility	1,387,833	533,000	533,000	63,936	596,936	790,897	597,061	193,836
1381400200 Public Safety Site Remediation / Tum Lane Construction	708,288	-	-	-	708,288	-	-	708,288
1391400200 Public Safety Headquarters EOC/EDC Phase I	37,042,627	4,483,918	4,483,918	9,849,924	14,333,841	22,708,786	14,781,072	7,927,714
1391400200 Public Safety Headquarters EOC/EDC Phase I	2,814,069	2,149,436	2,149,436	664,633	2,814,069	-	-	-
1392000200 Fire Vehicle Replacement	750,000	-	-	603,751	603,751	146,249	-	146,249
1591200200 Jail Phase II - Design	434,241	10,000	-	-	10,000	424,241	13,975	410,266
1991200200 Sheriff Work Release Equipment	13,005	-	-	-	13,005	-	-	13,005
1991200200 Sheriff Work Release Equipment	36,995	12,864	-	-	12,864	24,131	-	24,131
Total Department of Public Safety	95,346,367	16,905,495	9,063,590	16,905,495	25,969,085	69,377,282	16,515,882	52,861,400
Department of Public Works:								
102070300 Gilmerton Bridge Repairs II	210,412	-	9,925	-	9,925	200,487	-	200,487
1021900300 Bruce Road Safety Improvements	1,285,000	-	-	62,133	62,133	1,222,867	130,022	1,092,845
1031200300 Grade Crossing Safety Program II	200,000	-	-	-	200,000	-	-	200,000
1031900300 Centerville Bridge Rehabilitation	3,566,000	405,039	-	-	405,039	3,160,961	11,865	3,149,096
1040900300 Grade Crossing Safety Program	83,477	-	-	-	83,477	-	-	83,477
1041200300 Repairs and Maintenance Roads / Bridges	3,417	-	-	-	3,417	-	-	3,417
1050900300 Smart Traffic Center Phase 2	31,333	-	-	-	31,333	-	-	31,333
1051100300 George Washington Highway Right of Way Acquisition	37,038	-	-	-	37,038	-	7,500	29,538

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations			Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year	Prior Years	Current Year				
General construction projects, continued:									
Department of Public Works, continued:									
1051100300	George Washington Highway Right of Way Acquisition	\$ 877,962	915,000	(37,038)	877,962	-	-	-	*
1061900300	Military Hwy & Smith Ave Intersection Improvements	540,000	-	59,649	59,649	480,352	-	480,352	-
1071900300	Residential Street Repaving	2,000,000	-	1,735,717	1,735,717	264,283	264,283	-	-
1081800300	DC AIW Bridge ROW Preservation	1,500,000	742,438	426,666	1,169,104	330,896	-	330,896	-
1091800300	Freeman Ave Railroad Overpass	75,000	53,065	18,575	71,640	3,360	200	3,160	-
1131500300	Elbow Road Safety Improvements	103,563	38,798	-	38,798	64,765	-	64,765	-
1131800300	Mullen Rd / Jones Lane Connector	2,000,000	-	484,862	484,862	1,515,138	-	1,515,138	-
1141500300	Elbow Road Phase I	2,022,016	42,885	696,708	739,593	1,282,423	760,049	522,374	-
1151500300	Bruce Road/Taylor Road Right Turn Lane	9,901	-	-	9,901	-	-	9,901	-
1151500300	Bruce Road/Taylor Road Right Turn Lane	215,099	215,099	-	215,099	-	-	-	*
1161500300	Military Highway S at Baugher Avenue	231,618	5,335	102,184	107,519	124,099	17,941	106,158	-
1171300300	Repair & Maintenance Roads/Bridges II	198,099	44,421	-	44,421	153,678	15,325	138,353	-
1171500300	Military Highway S at State Street	432,907	11,786	215,847	227,633	205,274	38,599	166,675	-
1200510300	Gum Road Multi-Use Path	357,478	10,050	87,602	97,652	259,826	-	259,826	-
1210820300	Traffic Signals and Intersection Improvements	225,983	16,945	747	17,692	208,290	94,936	113,355	-
1211000300	Great Dismal Swamp Trail Phase I	2,746,200	2,347,047	38,742	2,385,789	360,411	4,028	356,382	-
1222000300	Benefit Road Ditch and Shoulder Improvements	284,100	-	-	284,100	284,100	-	284,100	-
1232000300	Right Turn Lane Ext: Battlefield Blvd at Hickory High	100,000	-	-	100,000	100,000	-	100,000	-
1241500300	George Washington Highway Improvement	36,080	-	-	36,080	-	-	36,080	-
1241500300	George Washington Highway Improvement	3,208,600	3,208,846	(246)	3,208,600	-	-	-	*
1270710300	Master Drainage Improvement II	1,670,708	1,332,186	-	1,332,186	338,521	-	338,521	-
1301600300	Jerome St Outfall Drain Improvement	11,657	-	-	11,657	11,657	-	11,657	-
1311600300	Traffic Signals Improvements S. Military	27,664	-	21,017	21,017	6,647	-	6,647	-
1321500300	Safe Roads to School Program	45,694	-	-	45,694	-	-	45,694	-
1321500300	Safe Roads to School Program	112,508	115,140	(2,632)	112,508	-	-	-	*
1341100300	Various Drainage Improvements	15,000	-	-	15,000	-	-	15,000	-
1341140300	Various Drainage Improvements - West Munden	29,490	-	-	29,490	-	-	29,490	-
1341140300	Various Drainage Improvements - West Munden	1,008,058	1,008,058	-	1,008,058	-	-	-	*
1341900300	Public Works Building Replacement - 925 Executive Blvd	332,378	13,360	28,372	41,732	290,646	55,467	235,179	-
1351000300	Portsmouth Boulevard Phase 4	21,580,000	1,494,827	5,283,468	6,778,295	14,801,705	818,632	13,983,073	-
1361000300	Hanbury-Battlefield Intersection & Ramp	41,086	-	-	41,086	-	-	41,086	-
1380610300	Repairs and Maintenance Roads/Bridges	1,993	-	1,205	1,205	789	-	789	-
1401400300	Community Rating System	16,519	-	-	16,519	-	-	16,519	-
1412000300	VDOT Paving Debaun Ave. to Campostella Rd.	702,000	-	459,229	459,229	242,771	242,771	-	-
1422000300	Military Highway at Galberry Rd. Right Turn Lane	125,000	-	-	125,000	-	-	125,000	-
1432000300	Ballahack Boat Ramp Area Improvements	359,791	-	-	359,791	-	-	359,791	-
14414003ES	Dismal Swamp Canal Trail - ARRA	40,611	-	-	40,611	-	-	40,611	-
14414003ES	Dismal Swamp Canal Trail - ARRA	1,369,389	1,370,294	(905)	1,369,389	-	-	-	*
1441700300	Centerville Bridge Super Structure Repairs	150,000	-	-	150,000	-	-	150,000	-
1442000300	VDOT Resurfacing Atlantic Ave. and Airline Blvd.	1,000,000	-	603,246	603,246	396,754	396,754	-	-
1451700300	Sunray Overpass Rehabilitation	1,536,000	201,151	18,596	219,747	1,316,253	32,197	1,284,056	-
1461700300	Triple Decker Bridge Rehabilitation	1,120,000	164,848	32,250	197,098	922,902	808,141	114,762	-

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations	Expenditures		Total	Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year				
General construction projects, continued:							
Department of Public Works, continued:							
1471700300 US Route 17 South of Cedar Road	\$ 20,372,000	1,646,143	5,681,979	7,328,122	13,043,878	6,648,479	6,395,399
1481700300 South Norfolk Railroad Crossings	398,364	178	127,336	127,514	270,850	224,413	46,438
1511700300 Emergency Vehicle Pre-Emption Devices	22,241	-	-	22,241	22,241	-	22,241
1541700300 Traffic Management Center and System Addition	2,650,697	285,429	76,574	362,002	2,288,695	2,031,592	257,103
1641200300 Hudgins Bridge Replacement	2,885	-	-	2,885	2,885	-	2,885
1641200300 Hudgins Bridge Replacement	667,115	667,115	-	667,115	-	-	- *
1671210300 Traffic Signal / Intersection Improvement	1,197,278	805,733	75,880	881,613	315,665	-	315,665
1831200300 Volvo / Independence Parkway Intersection	1,049,067	-	-	1,049,067	1,049,067	-	1,049,067
1831200300 Volvo / Independence Parkway Intersection	1,640,124	1,640,124	-	1,640,124	-	-	- *
1881200300 Bells Mill Bridge Replacement	2,104	-	-	2,104	2,104	-	2,104
Total Department of Public Works	81,878,704	18,406,228	16,702,801	35,109,029	46,769,675	12,603,192	34,166,483
Department of Parks and Recreation:							
1041900400 Conference Center Roof Replacement	968,000	436,649	477,925	914,575	53,425	38,455	14,970
1041100400 Demolition of Camp 22 Buildings	22,672	-	-	22,672	22,672	-	22,672
1061800400 Open Space Park Improvements	371	-	-	371	371	-	371
1061800400 Open Space Park Improvements	136,620	133,117	3,503	136,620	-	-	- *
1091600400 General Improve CommCtr/Parks	458,424	400,967	48,950	449,916	8,508	8,508	-
1161300400 Deep Creek Park	14,980	14,977	-	14,977	3	-	3
1161900400 Athletic Field Improvements	612,535	191,488	420,226	611,714	821	-	821
1170500400 Parks Land Acquisition	143,103	200	-	200	142,903	-	142,903
1181900400 Park Program Improvements	591	-	-	591	591	265	326
1181900400 Park Program Improvements	503,901	92,580	411,321	503,901	-	-	- *
1191900400 Facility Improvements on Recreational Buildings	549,315	218,027	235,087	453,114	96,200	73,173	23,027
1191910400 Elizabeth River Park Fishing Pier	71,646	-	61,583	61,583	10,063	-	10,063 *
1211900400 Parking Lot Improvements	180,000	-	157,457	157,457	22,543	12,916	9,628
1221200400 Johnson Park Improvements	245,397	-	18,747	18,747	226,650	-	226,650
1221900400 ADA Facility Compliance	103,229	12,944	79,206	92,150	11,079	-	11,079
1231900400 Oak Grove Lake Park Additional Parking	60,000	-	-	60,000	60,000	-	60,000
1241900400 Security Improvements	80,000	22,268	50,806	73,073	6,927	5,966	961
1260700400 Battlefield Visitor Center	5,114,750	2,064,924	6,318	2,071,241	3,043,509	84,403	2,959,106
1271110400 Park Shelters & Playgrounds	98,018	95,053	-	95,053	2,965	-	2,965
1301500400 Cascade Blvd. Park Lighting	27,505	-	-	27,505	27,505	11,602	15,904
1311500400 SoNo Army Demolition	3,145	-	-	3,145	3,145	-	3,145
1311510400 SoNo Pedestrian Beacon Lighting	22,550	-	-	22,550	22,550	-	22,550
1321600400 City Park Improvements	2,695	-	-	2,695	2,695	-	2,695
1340600400 New Park Development - Open Space	3,324	12	-	12	3,312	3,168	144
1451400400 Northwest River Renovations	158,521	147,683	4,320	152,003	6,518	6,510	8
1461400400 Centerville Park Upgrade	17,006	-	-	17,006	17,006	-	17,006
1472000400 Open Space and Recreation Funded Projects	785,000	-	693,320	693,320	91,680	90,000	1,680
1841200400 Park Improvements	29,003	29,003	-	29,003	-	-	-
1961200400 Camelot Community Center	13,734	-	-	13,734	13,734	-	13,734
Total Department of Parks and Recreation	10,426,032	3,859,891	2,668,767	6,528,658	3,897,374	334,965	3,562,409

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-1, Continued

General Capital Projects Fund
 Schedule of Expenditures and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations	Expenditures		Unexpended Balance	Encumbrances	Unencumbered
		Prior Years	Current Year			
Total	Total	Total	Total	Total	Total	Total
General construction projects, continued:						
Department of Public Welfare:						
1141900500 Psychosocial Support Building Expansion	\$ 500,000	-	65,969	434,031	-	434,031
1151900500 Intellectual Disability Support Building Renovation	265,100	-	-	265,100	-	265,100
Total Department of Public Welfare	765,100	-	65,969	699,131	-	699,131
Department of Libraries:						
1012001000 Library Bookmobile Replacement	163,800	-	-	163,800	120,706	43,094
1081401000 Library Renewal/Replacement Profiler	169,105	-	-	169,105	-	169,105
1092001000 Library - Virtual Desktop Infrastructure Expansion	77,354	-	-	77,354	76,245	1,109
1092001000 Library - Virtual Desktop Infrastructure Expansion	195,309	-	195,309	-	-	- *
1121901000 Library Automated Materials Handling System	8,749	-	-	8,749	5,719	3,030
1121901000 Library Automated Materials Handling System	418,199	259,588	158,611	418,199	-	- *
1131901000 Library Technology Upgrade/Replacement Phase II	90,957	-	24,946	24,946	-	66,011
1131901000 Library Technology Upgrade/Replacement Phase II	121,898	121,898	-	121,898	-	- *
1551701000 Library Children's Room Renovations	3,546	-	-	3,546	-	3,546
Total Department of Libraries	1,248,917	381,486	378,866	488,565	202,670	285,895
Total General construction projects	304,625,295	67,613,495	51,055,854	185,955,946	33,731,831	152,224,115
School capital projects:						
9050326650 Grassfield High School	221	-	-	221	-	221
9050326650 Grassfield High School	1,458,457	113,645	-	1,344,812	-	1,344,812 *
Total school capital projects	1,458,678	113,645	-	1,345,033	-	1,345,033
Lease revenue bonds						
6945020196 Trustee - Courthouse	n/a	92	-	92	-	(92)
Total lease revenue bonds	n/a	92	-	92	-	(92)
Supplemental agreements (trustee)						
6945030197 Trustee Oak Grove Connector	n/a	2,211,316	-	2,211,316	-	(2,211,316)
Total Supplemental agreements (trustee)	n/a	2,211,316	-	2,211,316	-	(2,211,316)
Total expenditures and encumbrances	306,083,973	69,938,548	51,055,854	185,089,571	33,731,831	151,357,740
Less completed projects	21,947,535	-	-	20,568,529	-	-
Construction in progress	\$ 284,136,438	-	-	100,425,873	-	-

* Completed Projects
 n/a - not applicable

CITY OF CHESAPEAKE, VIRGINIA

Public Utilities Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations			Expenses		Total	Unexpended	Encumbrances	Unencumbered
		Prior	Current	Current					
1010900800	Northwest River WTP Misc Modifications	239,279	-	-	239,279	116,900	122,379	-	*
1010900800	Northwest River WTP Misc Modifications	\$ 160,721	160,721	-	160,721	-	-	-	-
1011500800	PW/PU Operations Facilities Relocation Ph I	4,000,000	121,262	-	4,121,262	-	3,878,738	-	3,878,738
1021400800	Pump Station and Wet Well Upgrading Ph IV	14,181	-	-	14,181	-	14,181	-	14,181
1021400800	Pump Station and Wet Well Upgrading Ph IV	15,183	-	15,183	15,183	-	-	-	*
1030600800	Water System Membrane Replacement Ph II	2,594,185	2,594,185	-	2,594,185	-	-	-	*
1031400800	Sewer Renewal - Manhole Inserts Ph II	21	-	-	21	-	21	-	21
1041400800	Sewer System Repairs Ph II	250,000	-	132,415	117,585	112,196	117,585	5,389	5,389
1051800800	Sewer Renewal - Add'l Consent Order Capital Requirement	3,061,609	-	-	3,061,609	-	3,061,609	-	3,061,609
1051900800	Oakgrove Elevated Tank Standpipe Replacement	200,000	-	26,425	173,575	24,020	173,575	149,555	149,555
1061000800	Force Main Upgrade - Greenbrier Parkway	1,300,389	43,100	-	1,343,489	43,000	1,257,289	43,000	1,214,289
1121600800	Bambridge Blvd Tank Renovation	1,199,997	123,979	912,482	1,036,461	113,568	163,536	49,968	49,968
1131600800	Sewer Management Operations and Maintenance	2,000,000	72,820	449,397	522,217	368,396	1,477,783	1,109,386	1,109,386
1141600800	Water Renewal & Waterline Upgrade - Ph II	1,500,000	-	-	1,500,000	-	1,500,000	-	1,500,000
1151700800	Sewer Renewal - 18th Street	736,270	-	-	736,270	-	736,270	-	736,270
1171400800	Red Top Tank and Raw Water Pump Station	5,371,370	315,542	1,456,936	1,772,479	2,025,675	3,598,891	1,573,216	1,573,216
1181500800	Maintenance & Operation Equipment Replacement	39,500	2,474	-	42,490	-	37,026	-	37,026
1181500800	Maintenance & Operation Equipment Replacement	40,490	-	40,490	40,490	-	-	-	*
1181700800	Sewer Renewal - Chesapeake Ave - Guerriere to Ohio Sewer	288,823	-	-	288,823	-	288,823	-	288,823
1191300800	Northwest River WTP Misc Modifications	7,175,000	5,056,657	249,130	12,480,787	1,280,612	1,869,213	588,601	588,601
1191700800	Crestwood Sewer Ph I	2,463,756	2,132,039	6,295	4,602,090	-	325,422	325,422	325,422
1201400800	Deep Creek Pump Station Upgrade	39,500	-	-	39,500	17,500	2,598,062	38,977	2,559,085
1201700800	Crestwood Sewer Ph II (PS #931)	2,831,535	-	233,473	3,065,008	-	32,481	-	32,481
1211300800	Lake Gaston WTP Membrane Replacement Ph II	32,481	-	-	32,481	-	32,481	-	32,481
1211400800	Battlefield to Centerville Water Main Ph I	5,205,689	358,928	73,283	5,637,900	129,395	4,773,478	4,644,083	4,644,083
1211500800	Water System Renewal Ph II	150,000	-	-	150,000	-	150,000	-	150,000
1211700800	Crestwood Sewer Ph III (PS #12)	1,600,364	-	155,649	1,756,013	25,984	1,444,715	1,418,731	1,418,731
1213100800	Surface Water Membrane Replacement	1,522	1,522	-	3,044	-	-	-	*
1221400800	Battlefield to Centerville Water Main Ph II	4,164,000	317,020	22,539	4,503,559	111,200	3,824,442	3,713,241	3,713,241
1241200800	Water System Renewal	893,000	416,512	26,065	1,335,577	57,468	450,423	392,956	392,956
1241300800	Asset Management System	190,887	2,232	-	193,119	-	188,656	188,656	188,656
1242000800	Water Renewal - Buchanan Street	256,870	-	-	256,870	-	256,870	-	256,870
1251300800	Generator Replacement Program	35,136	-	7,351	42,487	-	27,785	-	27,785
1251300800	Generator Replacement Program	339,864	339,864	-	679,728	-	-	-	*
1252000800	Unserved Areas/Cost Participation - Phase II	164,900	-	-	164,900	-	164,900	-	164,900
1261700800	Sewer Renewal - Liberty Street (500 Block to Collingswood)	1,389,259	-	-	1,389,259	-	1,389,259	-	1,389,259
1271200800	Sanitary Sewer Evaluation	8,545,080	6,709,011	57,260	15,311,351	283,719	1,778,809	1,495,091	1,495,091
1281700800	Manhole Rehabilitation - 1709 vertical ft	872,870	100,715	-	973,585	47,690	772,155	724,465	724,465
1290500800	Jolliff Road Waterline Ph II	653,800	19	-	653,819	-	653,781	653,781	653,781
1291700800	Melton Street Sewer Renewal	247,160	-	42,639	289,799	15,378	204,521	189,143	189,143
1301210800	Sewer Renewal - Manhold Inserts	217	-	-	217	-	217	-	217
1302000800	Northwest River WTP Replace Bulk Chemical Storage Tanks	300,000	-	-	300,000	-	300,000	-	300,000
1311010800	Lake Gaston Watershed Protection	391,529	-	-	391,529	-	391,529	-	391,529
1311200800	Sewer System Repair	1,696,100	1,155,164	465,408	3,316,672	75,204	75,528	75,204	75,528

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Public Utilities Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Expenses				Total	Unexpended	Encumbrances	Unencumbered
	Appropriations	Prior	Current					
1321200800	Sewer Renewal - SSES Ph I	758,716	304,927	1,063,643	2,260,351	101,637	2,158,714	
1321200800	Sewer Renewal - SSES Ph I	\$ 3,323,994		\$ 3,323,994			*	
1331200800	Sewer Renewal - SSES Ph I	1,192,043	103,509	1,192,043	-	-	-	
1331200800	Sewer Renewal - SSES Ph II	2,883,742.00	78,960.00	176,960	2,706,782	485,040	2,221,742	
1341200800	Customer Service Billing System	5,900,000	158,179	4,710,239	1,189,761	24,939	1,164,822	
1342000800	Force Main Replacement - Dominion Blvd. and I-64	1,000,000	-	-	1,000,000	-	1,000,000	
1351700800	Service Area Gravity Sewer	4,672,978	101,669	218,542	4,454,436	398,212	4,056,224	
1352000800	Sewer Pump Station Safety Improvements	500,000	-	-	500,000	-	500,000	
1372000800	Lake Gaston WTP Miscellaneous Modifications	1,750,000	78,214	78,214	1,671,786	599,178	1,072,608	
1381200800	Military Highway 36" Water Main	2,627,000	254,623	254,623	2,372,377	146,030	2,226,347	
1382000800	Lake Gaston Water Treatment Plant Expansion	1,000,000	-	-	1,000,000	-	1,000,000	
1391200800	Raw Water Transmission Main	15,575,000	14,164,123	14,277,048	1,297,952	824,093	473,859	
1401200800	Northwest River WTP Basin Cover Replacement	69,319	-	-	69,319	-	69,319	
1401300800	Murray Dr/Whittamore Rd Water	6,000,000	4,563,077	4,563,077	1,436,923	-	1,436,923	
1451200800	South Norfolk Improvements	2,850,000	849,305	849,305	2,000,695	109,542	1,891,153	
1471200800	Western Branch Interconnect to Lake Gaston WTP	8,298,000	1,600,141	1,638,033	6,659,967	658,250	6,001,717	
1501210800	Laboratory Equipment Replacement	125,045	114,708	123,708	1,338	-	1,338	
1511280800	Unreserved Areas - Manning, Wampler & Vico	2,613,186	-	127,951	2,485,235	202,432	2,282,803	
1511290800	Unreserved Areas - Battlewood Meadows	4,451,774	27,672	279,086	4,172,688	359,731	3,812,957	
1531200800	Replace Meter Reading Equip	1,399,623	49,073	51,198	1,348,426	-	1,348,426	
1541200800	30" Raw Water Main	4,826,388	393,124	1,730,895	3,095,492	883,379	2,212,113	
1691200800	Pump Station Wet Well Upgrades	3,701	-	-	3,701	-	3,701	
1711200800	Water Renewal - Water Line Upgrade	2,030,558	297,034	297,034	1,733,524	21,195	1,712,329	
	Total project expenses and encumbrances	135,744,888	48,935,624	56,027,785	79,717,103	9,700,541	70,016,562	
	Less completed projects	4,344,008		4,344,008				
	Construction in progress - construction	131,400,880		51,683,777				
	Capitalized interest expenses		6,317,134	8,410,887				
	Less closed capitalized interest			477,159				
	Construction in progress - capitalized interest			7,933,728				
	Total construction in progress	\$		59,617,505				

* Completed Projects

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-3

Chesapeake Transportation System Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Expenses					Unexpended Balance	Encumbrances	Unencumbered Balance
	Appropriations	Prior Years	Current Year	Total	Balance			
1230600300 Rt. 17/Steel Bridge/Dominion Boulevard	\$ 365,460,009	254,703,169	41,990,849	296,694,018	68,765,991	9,081,501	59,684,490	
1230610300 Dominion Blvd Wetland Mitigation	594,000	-	-	-	594,000	-	594,000	
1230620300 Dominion Blue Star Memorial	1,000	-	-	-	1,000	-	1,000	
1261610300 Chesapeake Expressway Repairs	506,417	-	-	-	506,417	-	506,417	
1261610300 Chesapeake Expressway Repairs	14,478	-	14,478	14,478	-	-	*	
1261620300 Chesapeake Expressway Repairs	436,062	-	-	-	436,062	36,756	399,306	
1261620300 Chesapeake Expressway Repairs	4,010	-	4,010	4,010	-	-	*	
1261630300 Chesapeake Expressway Repairs	86,303	-	-	-	86,303	14,277	72,026	
1261630300 Chesapeake Expressway Repairs	449,300	-	449,300	449,300	-	-	-	
1350900300 Rt. 17 Financing Study	1,751,791	1,731,772	-	1,731,772	20,019	-	20,019	
1462000300 Expressway Admin Building Modifications	350,000	-	48,449	48,449	301,551	27,064	274,487	
Total expenses and encumbrances	369,653,370	256,434,941	42,507,086	298,942,027	70,711,343	9,159,598	61,551,745	
Less completed projects	10,022,544	-	-	467,788	-	-	-	
Construction in progress - construction	359,630,826	-	-	298,474,239	-	-	-	
Construction in progress - capitalized interest	-	19,795,647	10,381,954	30,177,601	-	-	-	
Total construction in progress	\$ -	\$ -	\$ -	\$ 328,651,840	\$ -	\$ -	\$ -	

* Completed Projects

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-4

Stormwater Management Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations	Expenses		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
1010400900 Sunray Drainage Outfall	48,809	-	48,809	48,809	-	-	-
1010400900 Sunray Drainage Outfall	1,251,905	885,543	366,362	1,251,905	-	-	-
1010700900 Green Meadow Point	87,000	-	-	-	87,000	-	87,000
1010800300 Camelot Outfall Drainage Improvement	57,002	-	-	-	57,002	-	57,002
1011000300 Dunedin Area Drainage Improvement	125,835	-	-	-	125,835	-	125,835
1011100300 Halifax Street Outfall Improvement	2,416,123	1,244,451	9,473	1,253,924	1,162,199	-	1,162,199
1020800900 Campostella Road Culvert & Ditch	187,704	-	-	-	187,704	-	187,704
1021300900 Chesapeake Drive Drainage Improvements	880,000	1,445	32,200	33,645	846,355	-	846,355
1031600900 Citywide outfall Regrading & Restoration	820,000	116,724	67,740	184,463	635,537	279,217	356,320
1040800300 Citywide Undesignated Drainage	207,188	117,621	21,575	139,196	67,992	4,857	63,135
1040810300 Citywide Undesignated Drainage - West Munden	225,000	70,168	-	70,168	154,832	-	154,832
1041000900 Cooper's Ditch Dredging	2,000,000	165,488	37,233	202,721	1,797,279	16,712	1,780,567
1041300900 D Street Drainage Improvements	370,000	-	-	-	370,000	-	370,000
1051210300 Neighborhood Drainage Improvements	2,221,983	1,518,829	101,730	1,620,559	601,423	-	601,423
1051220300 Neighborhood Drainage Improvements	287,285	-	-	-	287,285	-	287,285
1051400900 VPDES Compliance	6,747,033	175,156	169,442	344,598	6,402,435	40,069	6,362,366
1051410900 Historical Data Cleanup	43,435	-	43,435	43,435	-	-	-
1061200900 Stormwater Mapping & Master Drainage Plan	1,000,000	529,478	25,861	555,339	444,661	33,959	410,702
1061300300 Homeont Area Drainage	994,667	-	-	-	994,667	-	994,667
1061400900 Border Road Area Drain Improvement	1,200,000	4,825	278,931	283,756	916,244	134,691	781,553
1061500900 AhoyAcre/HollyCove System Replacement	1,300,000	813,270	293,706	1,106,976	193,024	147,057	45,967
1071300900 Lamberts Trail Area Drain Improvement	2,100,000	144	-	144	2,099,856	-	2,099,856
1071400900 MoneyPoint Area BMP & Drainage Improvements	85,061	-	-	-	85,061	-	85,061
1071500900 Citywide Undesignated Drainage Phase III	506,347	-	136,715	136,715	369,632	-	369,632
1071800900 Major Equipment Purchases	699,984	-	-	-	699,984	-	699,984
1071800900 Major Equipment Purchases	1,273,277	11,314	1,261,963	1,273,277	-	-	-
1081500900 Neighborhood Drainage Improvements II	1,824,600	-	-	-	1,824,600	-	1,824,600
1091300900 Prince Edwards Drive Outfall Improvement	600,000	-	1,200	1,200	598,800	-	598,800
1101300900 Royce Drive Drainage Improvements	550,000	-	-	-	550,000	-	550,000
1101500900 Stormwater Mapping & Master Drainage Plan III	300,000	-	-	-	300,000	-	300,000
1111300900 Shoreswood Area Drainage Improvement	540,000	-	-	-	540,000	-	540,000
1111500900 Stormwater Quality Program Phase II	340,565	-	81,333	81,333	259,232	-	32,036
1121200900 Yadkin Rd BMP	1,262,902	1,034,343	128,040	1,162,383	100,519	227,196	100,519
1121500900 Yadkin Rd BMP & Drainage Improvements Phase III	129,468	-	-	-	129,468	-	129,468
1131300900 Sunray Area Outfall Re-Grading	1,200,000	-	7,789	7,789	1,192,211	-	1,192,211
1431700900 Citywide System Rehab	1,500,000	-	142,730	142,730	1,357,270	-	1,357,270
1721200900 Colony Manor Outfall Improvements	415,000	-	-	-	415,000	25,403	389,597
1731200900 BMP Restoration Citywide	1,400,000	210,802	154,560	365,361	1,034,639	6,929	1,027,710

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Schedule O-4, Continued

Stormwater Management Capital Projects Fund
 Schedule of Expenses and Encumbrances - Budget and Actual
 Year Ended June 30, 2016

Project	Appropriations	Expenses		Total	Unexpended Balance	Encumbrances	Unencumbered Balance
		Prior Years	Current Year				
1741200300 Murray Dr./Greenhaven Area Improvement	\$ 29,093	21,100	-	21,100	7,993	-	7,993
1751200300 Partridge/Cloverdale Area Improvements	290,544	-	-	-	290,544	-	290,544
1761200300 Scenic Blvd Improvements	260,000	-	-	-	260,000	-	260,000
1771200900 Shillelagh Road Drainage Outfall Improvement	2,000,000	-	-	-	2,000,000	-	2,000,000
1781200300 Shillelagh Roadside Ditch Improvements	32,502	-	-	-	32,502	-	32,502
1781200300 Shillelagh Roadside Ditch Improvements	452,950	452,950	-	452,950	-	-	- *
1801200900 Washington Manor Drainage Outfall Improvements	2,305,814	99,186	1,192,313	1,291,499	1,014,315	765,406	248,909
Total expenses and encumbrances	42,569,076	7,472,837	4,603,138	12,075,975	30,493,101	1,715,052	28,778,049
Less completed projects	3,021,567			3,021,567			
Construction in progress	\$ 39,547,509			9,054,408			

* Completed Projects

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Chesapeake
VIRGINIA

Special Revenue and Permanent Funds

Special Revenue Funds:

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

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

Integrated Behavioral Healthcare Fund – To account for revenues and expenditures to provide services for mental health, intellectual disability and substance abuse programs.

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

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

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

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

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

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

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

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

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

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

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

Permanent Funds:

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



CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Integrated Behavioral Healthcare
ASSETS				
Cash and temporary investments	\$ 16,516,415	8,701,610	4,875,967	9,636,518
Intergovernmental revenues due from:				
Commonwealth of Virginia	-	-	484,345	124,101
Federal government	-	-	930,897	-
Receivables:				
Accounts receivable	-	-	280	3,304,020
Interest receivable	-	-	-	-
Other	-	-	1,244	-
Allowance for uncollectible amounts	-	-	-	(2,309,883)
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	-	-
Total assets	\$ 16,516,415	8,701,610	6,292,733	10,754,756
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	-	116,593	662,642
Accrued expenditures	-	-	-	-
Unearned revenue	-	-	-	-
Other liabilities	-	-	6,082	426
Due to Commonwealth of Virginia	-	-	16	-
Due to other funds	-	-	-	-
Total liabilities	-	-	122,691	663,068
Fund Balances				
Nonspendable	-	-	-	-
Restricted	16,516,415	8,701,610	-	6,359,515
Committed	-	-	348,342	391,224
Assigned	-	-	5,821,700	3,340,949
Total fund balances	16,516,415	8,701,610	6,170,042	10,091,688
Total liabilities and fund balances	\$ 16,516,415	8,701,610	6,292,733	10,754,756

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Fee Supported Activities	Subtotal
3,671,397	2,740,860	770,668	3,130,281	958,724	51,002,440
-	1,350	1,028,323	-	-	1,638,119
-	-	-	-	-	930,897
7,282	148,320	3,121	113,606	690,472	4,267,101
-	-	-	-	-	-
397,566	959	-	-	-	399,769
-	-	-	-	(574,308)	(2,884,191)
260,654	-	131	-	-	260,785
-	-	-	-	-	-
4,336,899	2,891,489	1,802,243	3,243,887	1,074,888	55,614,920
123,980	14,433	844,542	3,642	77,310	1,843,142
117,465	-	-	-	-	117,465
74,135	207,000	-	-	-	281,135
1,072	26	644	-	-	8,250
-	-	-	-	-	16
-	-	-	-	-	-
316,652	221,459	845,186	3,642	77,310	2,250,008
260,654	-	-	-	-	260,654
-	-	-	-	-	31,577,540
193,247	384,397	6,197	8,656	-	1,332,063
3,566,346	2,285,633	950,860	3,231,589	997,578	20,194,655
4,020,247	2,670,030	957,057	3,240,245	997,578	53,364,912
4,336,899	2,891,489	1,802,243	3,243,887	1,074,888	55,614,920

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Grants	Community Development	Open Space Agriculture Preservation	Proffers
ASSETS				
Cash and temporary investments	\$ 3,456,586	194,663	2,015,674	11,313,099
Intergovernmental revenues due from:				
Commonwealth of Virginia	255,054	-	-	-
Federal government	945,108	118,658	-	-
Receivables:				
Accounts receivable	78,600	-	-	-
Interest receivable	-	-	-	-
Other	-	-	-	-
Allowance for uncollectible amounts	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-
Restricted asset:				
Investment	-	-	1,012,472	-
Total assets	\$ 4,735,348	313,321	3,028,146	11,313,099
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 491,322	126,640	-	-
Accrued expenditures	-	251	-	-
Other liabilities	-	-	-	-
Other liabilities	298	-	-	-
Due to Commonwealth of Virginia	17,167	184,426	-	-
Due to other funds	224,514	-	-	-
Total liabilities	733,301	311,317	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	3,311,447	-	-	11,313,099
Committed	690,600	2,004	3,028,146	-
Assigned	-	-	-	-
Total fund balances	4,002,047	2,004	3,028,146	11,313,099
Total liabilities and fund balances	\$ 4,735,348	313,321	3,028,146	11,313,099

Schedule P-1, Continued

Special Revenue Funds		Permanent Funds		Total Nonmajor Governmental Funds
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
98,495	380,224	178,191	13,879	68,653,251
-	-	-	-	1,893,173
-	-	-	-	1,994,663
-	-	-	-	4,345,701
-	-	1,400	190	1,590
-	-	-	-	399,769
-	-	-	-	(2,884,191)
-	-	-	-	260,785
-	-	-	-	1,012,472
98,495	380,224	179,591	14,069	75,677,213
-	-	-	-	2,461,104
-	-	-	-	117,716
-	-	-	-	281,135
-	-	-	-	8,548
-	-	-	-	201,609
-	-	-	-	224,514
-	-	-	-	3,294,626
-	-	11,295	1,500	273,449
-	-	168,296	12,569	46,382,951
98,495	380,224	-	-	5,531,532
-	-	-	-	20,194,655
98,495	380,224	179,591	14,069	72,382,587
98,495	380,224	179,591	14,069	75,677,213

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special Revenue Funds			
	Tax Increment Financing Greenbrier	Tax Increment Financing South Norfolk	Virginia Public Assistance	Integrated Behavioral Healthcare
REVENUES				
Taxes on real property	\$ 5,508,179	4,069,993	-	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	-	-
Intergovernmental revenues:				
Commonwealth of Virginia	-	-	4,165,995	8,165,567
Federal government	-	-	9,488,179	1,203,591
Recovered costs	-	-	17,142	70,927
Investment income	57,567	30,329	17,067	33,634
Charges for services	-	-	480	8,126,945
Sale of food and beverages	-	-	-	10,145
Miscellaneous local revenues	-	-	-	-
Program income	-	-	-	-
Total revenues	5,565,746	4,100,322	13,688,863	17,610,809
EXPENDITURES				
Current:				
General government	7,025	1,394	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public welfare	-	-	18,896,953	21,540,312
Capital outlay	-	-	-	58,407
Total expenditures	7,025	1,394	18,896,953	21,598,719
Excess (deficiency) of revenues over (under) expenditures	5,558,721	4,098,928	(5,208,090)	(3,987,910)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	7,363,268	7,805,913
Transfers to other funds	(3,835,055)	(1,993,587)	(35,040)	(324,284)
Total other financing sources (uses), net	(3,835,055)	(1,993,587)	7,328,228	7,481,629
Net change in fund balance	1,723,666	2,105,341	2,120,138	3,493,719
Fund balance - beginning	14,792,749	6,596,269	4,049,904	6,597,969
Fund balance - ending	\$ 16,516,415	8,701,610	6,170,042	10,091,688

Special Revenue Funds					
Conference Center	Juvenile Services	Interagency Consortium	E-911 Operations	Fee Supported Activities	Subtotal
-	-	-	-	-	9,578,172
-	-	-	4,947,998	-	4,947,998
2,357,343	-	-	-	-	2,357,343
625,592	-	-	-	-	625,592
820,778	-	-	-	-	820,778
201,806	-	-	-	-	201,806
-	3,212,321	2,322,553	1,356,122	-	19,222,558
-	-	-	-	-	10,691,770
2	1,528,930	25,594	-	3,283	1,645,878
12,783	9,615	2,686	11,136	3,342	178,159
401,030	14,856	766	-	970,055	9,514,132
1,080,900	-	-	-	-	1,091,045
-	-	-	-	-	-
-	-	-	-	-	-
5,500,234	4,765,722	2,351,599	6,315,256	976,680	60,875,231
3,442,997	6,151,528	-	-	-	9,602,944
-	-	-	5,652,923	1,048,826	6,701,749
-	-	-	-	-	-
-	-	4,096,849	-	-	44,534,114
-	16,402	-	-	42,233	117,042
3,442,997	6,167,930	4,096,849	5,652,923	1,091,059	60,955,849
2,057,237	(1,402,208)	(1,745,250)	662,333	(114,379)	(80,618)
-	2,412,027	1,450,979	-	-	19,032,187
(1,370,559)	(22,508)	(2,686)	(11,136)	(3,342)	(7,598,197)
(1,370,559)	2,389,519	1,448,293	(11,136)	(3,342)	11,433,990
686,678	987,311	(296,957)	651,197	(117,721)	11,353,372
3,333,569	1,682,719	1,254,014	2,589,048	1,115,299	42,011,540
4,020,247	2,670,030	957,057	3,240,245	997,578	53,364,912

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special Revenue Funds			
	Grants	Community Development	Open Space Agriculture Preservation	Proffers
REVENUES				
Taxes on real property	\$ -	-	478,748	-
Communications sales tax	-	-	-	-
Restaurant food tax	-	-	-	-
Lodging sales tax	-	-	-	-
Lodging flat tax	-	-	-	-
Revenues from use of property	-	-	35,200	-
Intergovernmental revenues:				
Commonwealth of Virginia	2,833,158	-	-	-
Federal government	2,936,907	1,593,679	-	-
Recovered costs	-	-	-	-
Investment income	5,939	-	167,086	-
Charges for services	75,283	-	-	-
Sale of food and beverages	-	-	-	-
Miscellaneous local revenues	133,066	-	300,000	2,597,867
Program income	130,673	126,865	-	-
Total revenues	6,115,026	1,720,544	981,034	2,597,867
EXPENDITURES				
Current:				
General government	1,770,317	-	-	-
Public safety	1,968,726	-	-	-
Parks and recreation	49,501	-	-	-
Public welfare	467,398	1,728,863	-	-
Capital outlay	2,051,239	26,448	6,650	-
Total expenditures	6,307,181	1,755,311	6,650	-
Excess (deficiency) of revenues over (under) expenditures	(192,155)	(34,767)	974,384	2,597,867
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	171,971	9,833	-	-
Transfers to other funds	(813,070)	-	(82,530)	(512,000)
Total other financing sources (uses), net	(641,099)	9,833	(82,530)	(512,000)
Net change in fund balance	(833,254)	(24,934)	891,854	2,085,867
Fund balance - beginning	4,835,301	26,938	2,136,292	9,227,232
Fund balance - ending	\$ 4,002,047	2,004	3,028,146	11,313,099

Schedule P-2, Continued

Special Revenue Funds		Permanent Funds		Total Nonmajor Governmental Funds
Housing Trust	CSB of Chesapeake, Inc.	Poor	Carney	
-	-	-	-	10,056,920
-	-	-	-	4,947,998
-	-	-	-	2,357,343
-	-	-	-	625,592
-	-	-	-	820,778
-	-	-	-	237,006
-	-	-	-	22,055,716
-	-	-	-	15,222,356
-	-	-	-	1,645,878
342	399	1,634	142	353,701
-	-	-	-	9,589,415
-	-	-	-	1,091,045
-	-	-	-	3,030,933
-	-	-	-	257,538
342	399	1,634	142	72,292,219
-	-	-	-	11,373,261
-	-	-	-	8,670,475
-	-	-	-	49,501
-	5,600	-	-	46,735,975
-	28,190	-	-	2,229,569
-	33,790	-	-	69,058,781
342	(33,391)	1,634	142	3,233,438
-	-	-	-	19,213,991
-	-	-	-	(9,005,797)
-	-	-	-	10,208,194
342	(33,391)	1,634	142	13,441,632
98,153	413,615	177,957	13,927	58,940,955
98,495	380,224	179,591	14,069	72,382,587

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-3

Tax Increment Financing Greenbrier Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

		Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes on real property	\$	5,491,600	5,508,179	16,579
Investment income		-	57,567	57,567
Total revenues		5,491,600	5,565,746	74,146
EXPENDITURES				
General government		12,000	7,025	4,975
Total expenditures		12,000	7,025	4,975
Excess (deficiency) of revenues over (under) expenditures		5,479,600	5,558,721	79,121
OTHER FINANCING SOURCES (USES)				
Transfers to other funds		(3,777,649)	(3,835,055)	(57,406)
Total other financing sources (uses), net		(3,777,649)	(3,835,055)	(57,406)
Net change in fund balance		1,701,951	1,723,666	21,715
Fund balance - beginning		14,792,749	14,792,749	-
Fund balance - ending	\$	16,494,700	16,516,415	21,715

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-4

Tax Increment Financing South Norfolk Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes on real property	\$ 3,957,700	4,069,993	112,293
Investment income	-	30,329	30,329
Total revenues	3,957,700	4,100,322	142,622
EXPENDITURES			
General government	75,000	1,394	73,606
Total expenditures	75,000	1,394	73,606
Excess (deficiency) of revenues over (under) expenditures	3,882,700	4,098,928	216,228
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,961,350)	(1,993,587)	(32,237)
Total other financing sources (uses), net	(1,961,350)	(1,993,587)	(32,237)
Net change in fund balance	1,921,350	2,105,341	183,991
Fund balance - beginning	6,596,269	6,596,269	-
Fund balance - ending	\$ 8,517,619	8,701,610	183,991

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-5

Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 5,396,275	4,165,995	(1,230,280)
Federal government	8,148,506	9,488,179	1,339,673
Total intergovernmental revenue	13,544,781	13,654,174	109,393
Recovered costs	38,487	17,142	(21,345)
Investment income	-	17,067	17,067
Charges for services	1,200	480	(720)
Total revenues	13,584,468	13,688,863	104,395
EXPENDITURES			
Public welfare:			
Bureau of Public Assistance	4,174,987	3,463,298	711,689
Joint Administration	4,232,380	3,781,917	450,463
Service Administration	6,638,970	5,725,952	913,018
Eligibility Administration	6,546,535	5,769,190	777,345
Other special programs	168,588	156,596	11,992
Total expenditures	21,761,460	18,896,953	2,864,507
Excess (deficiency) of revenues over (under) expenditures	(8,176,992)	(5,208,090)	2,968,902
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	7,358,682	7,358,682	-
Transfers from other funds	-	4,586	4,586
Transfers to other funds	(21,191)	(35,040)	(13,849)
Total other financing sources (uses), net	7,337,491	7,328,228	(9,263)
Net change in fund balance	(839,501)	2,120,138	2,959,639
Fund balance - beginning	4,049,904	4,049,904	-
Fund balance - ending	\$ 3,210,403	6,170,042	2,959,639

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-6

Integrated Behavioral Healthcare Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia:			
Substance abuse grants	\$ 895,655	903,228	7,573
Mental health grants	6,515,752	6,404,720	(111,032)
Intellectual disability grants	838,525	857,619	19,094
Total from the Commonwealth of Virginia	8,249,932	8,165,567	(84,365)
Federal government:			
Substance abuse, mental health and intellectual disability grants	1,202,630	1,203,591	961
Charges for services:			
Mental health fees	2,763,167	3,070,899	307,732
Intellectual disability fees	4,086,696	4,854,175	767,479
Substance abuse fees	63,500	201,871	138,371
Total charges for services	6,913,363	8,126,945	1,213,582
Recovered costs	-	70,927	70,927
Investment income	-	33,634	33,634
Sale of food and beverages	21,600	10,145	(11,455)
Total revenues	16,387,525	17,610,809	1,223,284
EXPENDITURES			
Public welfare	24,237,918	21,540,312	2,697,606
Capital outlay	299,929	58,407	241,522
Total expenditures	24,537,847	21,598,719	2,939,128
Excess (deficiency) of revenues over (under) expenditures	(8,150,322)	(3,987,910)	4,162,412
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	7,805,913	7,805,913	-
Transfers to other funds	(290,650)	(324,284)	(33,634)
Total other financing sources (uses), net	7,515,263	7,481,629	(33,634)
Net change in fund balance	(635,059)	3,493,719	4,128,778
Fund balance - beginning	6,597,969	6,597,969	-
Fund balance - ending	\$ 5,962,910	10,091,688	4,128,778

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-7

Conference Center Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Restaurant food tax	\$ 2,200,000	2,357,343	157,343
Lodging sales tax	565,000	625,592	60,592
Lodging flat tax	850,000	820,778	(29,222)
Revenues from use of property	235,719	201,806	(33,913)
Recovered costs	8,495	2	(8,493)
Investment income	-	12,783	12,783
Charges for services	309,714	401,030	91,316
Sale of food and beverages	1,093,613	1,080,900	(12,713)
Total revenues	5,262,541	5,500,234	237,693
EXPENDITURES			
General government	3,721,659	3,442,997	278,662
Capital outlay	50,000	-	50,000
Total expenditures	3,771,659	3,442,997	328,662
Excess (deficiency) of revenues over (under) expenditures	1,490,882	2,057,237	566,355
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(2,108,000)	(1,370,559)	737,441
Total other financing sources (uses), net	(2,108,000)	(1,370,559)	737,441
Net change in fund balance	(617,118)	686,678	1,303,796
Fund balance - beginning	3,333,569	3,333,569	-
Fund balance - ending	\$ 2,716,451	4,020,247	1,303,796

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-8

Juvenile Services Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 3,024,822	3,212,321	187,499
Recovered costs	1,482,000	1,528,930	46,930
Investment income	-	9,615	9,615
Charges for services	6,961	14,856	7,895
Total revenues	4,513,783	4,765,722	251,939
EXPENDITURES			
General government	6,976,178	6,151,528	824,650
Capital outlay	11,374	16,402	(5,028)
Total expenditures	6,987,552	6,167,930	819,622
Excess (deficiency) of revenues over (under) expenditures	(2,473,769)	(1,402,208)	1,071,561
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	2,412,027	2,412,027	-
Transfers to the General Fund	(12,893)	(22,508)	(9,615)
Total other financing sources (uses), net	2,399,134	2,389,519	(9,615)
Net change in fund balance	(74,635)	987,311	1,061,946
Fund balance - beginning	1,682,719	1,682,719	-
Fund balance - ending	\$ 1,608,084	2,670,030	1,061,946

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-9

Interagency Consortium Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental revenues:			
Commonwealth of Virginia	\$ 2,391,955	2,322,553	(69,402)
Federal government	106,133	-	(106,133)
Recovered costs	-	25,594	25,594
Investment income	-	2,686	2,686
Charges for services	-	766	766
Total revenues	2,498,088	2,351,599	(146,489)
EXPENDITURES			
Public welfare:			
Contract services	4,309,380	3,884,082	425,298
Administrative expenses	277,034	212,767	64,267
Total expenditures	4,586,414	4,096,849	489,565
Excess (deficiency) of revenues over (under) expenditures	(2,088,326)	(1,745,250)	343,076
OTHER FINANCING SOURCES (USES)			
Transfer from the General Fund	1,450,979	1,450,979	-
Transfer to the General Fund	-	(2,686)	(2,686)
Total other financing sources (uses), net	1,450,979	1,448,293	(2,686)
Net change in fund balance	(637,347)	(296,957)	340,390
Fund balance - beginning	1,254,014	1,254,014	-
Fund balance - ending	\$ 616,667	957,057	340,390

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-10

E-911 Operations Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Communications sales tax	\$ 4,947,998	4,947,998	-
Intergovernmental revenues:			
Commonwealth of Virginia	1,373,571	1,356,122	(17,449)
Investment income	-	11,136	11,136
Total revenues	6,321,569	6,315,256	(6,313)
EXPENDITURES			
Public safety	6,227,131	5,652,923	574,208
Capital outlay	58,184	-	58,184
Total expenditures	6,285,315	5,652,923	632,392
Excess (deficiency) of revenues over (under) expenditures	36,254	662,333	626,079
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	(11,136)	(11,136)
Total other financing sources (uses), net	-	(11,136)	(11,136)
Net change in fund balance	36,254	651,197	614,943
Fund balance - beginning	2,589,048	2,589,048	-
Fund balance - ending	\$ 2,625,302	3,240,245	614,943

CITY OF CHESAPEAKE, VIRGINIA

Schedule P-11

Fee Supported Activities Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended June 30, 2016

	Revised Budget	Actual	Variance Positive (Negative)
REVENUES			
Recovered costs	\$ 5,000	3,283	(1,717)
Investment income	-	3,342	3,342
Charges for services	904,000	970,055	66,055
Total revenues	909,000	976,680	67,680
EXPENDITURES			
Public safety	1,175,153	1,048,826	126,327
Capital outlay	48,000	42,233	5,767
Total expenditures	1,223,153	1,091,059	132,094
Excess (deficiency) of revenues over (under) expenditures	(314,153)	(114,379)	199,774
OTHER FINANCING SOURCES (USES)			
Transfer to the General Fund	-	(3,342)	(3,342)
Total other financing sources (uses), net	-	(3,342)	(3,342)
Net change in fund balance	(314,153)	(117,721)	196,432
Fund balance - beginning	1,115,299	1,115,299	-
Fund balance - ending	\$ 801,146	997,578	196,432

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.

Self-Funded Health Fund – To account for the City’s self-funded health insurance program.



Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current assets:					
Cash and temporary investments	\$ 5,515,743	6,010,093	22,577,702	3,495,462	37,599,000
Receivables:					
Accounts	14,679	-	-	252,364	267,043
Interest	-	-	37,524	-	37,524
Inventory of materials and supplies	-	340,272	-	-	340,272
Prepaid expenses	841,124	2,328	2,561,783	29,074	3,434,309
Total current assets	6,371,546	6,352,693	25,177,009	3,776,900	41,678,148
Noncurrent assets:					
Capital assets:					
Construction in progress	1,230,995	607,366	-	-	1,838,361
Buildings	507,072	159,095	20,930	-	687,097
Improvements other than buildings	12,912,298	170,179	-	-	13,082,477
Software, equipment and vehicles	21,653,152	91,290,704	265,990	-	113,209,846
Infrastructure	-	77,584	-	-	77,584
Less accumulated depreciation	(29,172,238)	(52,537,137)	(280,825)	-	(81,990,200)
Total capital assets, net of accumulated depreciation	7,131,279	39,767,791	6,095	-	46,905,165
Total noncurrent assets	7,131,279	39,767,791	6,095	-	46,905,165
Total assets	13,502,825	46,120,484	25,183,104	3,776,900	88,583,313
Deferred Outflows of Resources	619,509	903,216	47,972	-	1,570,697
Total assets and deferred outflows of resources	\$ 14,122,334	47,023,700	25,231,076	3,776,900	90,154,010
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities					
Current liabilities:					
Accounts payable	\$ 561,470	617,914	671,081	35,930	1,886,395
Accrued expenses and other liabilities	-	5	-	-	5
Unearned revenues	-	-	-	2,725,498	2,725,498
Current portion of accrued vacation, sick pay and overtime leave	136,264	91,853	5,123	-	233,240
Current portion of liability for self-insurance losses	-	-	5,808,716	2,700,214	8,508,930
Total current liabilities	697,734	709,772	6,484,920	5,461,642	13,354,068
Noncurrent liabilities:					
Accrued vacation, sick pay and overtime leave	185,944	126,289	5,662	-	317,895
Liability for self-insurance losses	-	-	20,963,819	-	20,963,819
Net pension liability	2,846,029	1,776,723	219,872	-	4,842,624
Total noncurrent liabilities	3,031,973	1,903,012	21,189,353	-	26,124,338
Total liabilities	3,729,707	2,612,784	27,674,273	5,461,642	39,478,406
Deferred Inflows of Resources	557,254	347,883	43,052	-	948,189
Net Position					
Net investment in capital assets	7,131,279	39,767,791	6,095	-	46,905,165
Unrestricted (deficit)	2,704,094	4,295,242	(2,492,344)	(1,684,742)	2,822,250
Total net position	9,835,373	44,063,033	(2,486,249)	(1,684,742)	49,727,415
Total liabilities, deferred inflows and net position	\$ 14,122,334	47,023,700	25,231,076	3,776,900	90,154,010

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2016

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
OPERATING REVENUES					
Billings to departments	\$ 9,176,407	13,862,788	6,378,158	16,691,107	46,108,460
Billings to outside agencies and component units	579,269	999,228	-	-	1,578,497
Rental fees	233,543	-	-	-	233,543
Miscellaneous	-	16,255	-	-	16,255
Recovered costs	12,726	275,194	323,052	-	610,972
Total operating revenues	10,001,945	15,153,465	6,701,210	16,691,107	48,547,727
OPERATING EXPENSES					
Cost of materials billed	-	3,496,818	-	-	3,496,818
Purchases for resale	-	2,307,430	-	-	2,307,430
General and administrative	532,493	107,021	3,667	87,444	730,625
Other salaries and wages	2,877,796	2,269,107	310,666	-	5,457,569
Other fringe benefits	960,345	841,234	145,064	-	1,946,643
Self-insurance losses	-	-	2,272,975	2,700,214	4,973,189
Indemnity and medical claims	-	-	2,121,586	13,988,019	16,109,605
Other repairs and supplies	3,264,321	1,445,318	52,360	-	4,761,999
Equipment rental	2,948	3,727	1,275	-	7,950
Other contractual services	1,143,756	66,859	104,387	943,933	2,258,935
Depreciation and amortization	2,112,236	7,335,095	523	-	9,447,854
Insurance premiums	-	-	1,515,484	656,239	2,171,723
Total operating expenses	10,893,895	17,872,609	6,527,987	18,375,849	53,670,340
Operating income (loss)	(891,950)	(2,719,144)	173,223	(1,684,742)	(5,122,613)
NONOPERATING REVENUES (EXPENSES)					
Investment income	19,227	21,013	145,580	-	185,820
Gain on sale of equipment	-	253,573	-	-	253,573
Loss on sale of equipment	(4,813)	(662,324)	-	-	(667,137)
Total nonoperating revenues (expenses), net	14,414	(387,738)	145,580	-	(227,744)
Income (loss) before transfers and contributions	(877,536)	(3,106,882)	318,803	(1,684,742)	(5,350,357)
Transfers in	600,000	-	-	-	600,000
Transfers out	(1,293,269)	(21,013)	(16,462)	-	(1,330,744)
Capital contributions	1,860,623	4,706,105	-	-	6,566,728
Change in net position	289,818	1,578,210	302,341	(1,684,742)	485,627
Total net position - beginning	9,545,555	42,484,823	(2,788,590)	-	49,241,788
Total net position - ending	\$ 9,835,373	44,063,033	(2,486,249)	(1,684,742)	49,727,415

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016

	Information Technology	City Garage	Self- Insurance	Self-Funded Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 10,018,951	15,374,893	6,701,210	19,164,241	51,259,295
Payments to suppliers	(5,381,611)	(7,049,950)	(7,569,165)	(15,668,779)	(35,669,505)
Payments to employees	(4,045,030)	(3,315,797)	(424,712)	-	(7,785,539)
Net cash provided by (used in) operating activities	592,310	5,009,146	(1,292,667)	3,495,462	7,804,251
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	600,000	-	-	-	600,000
Transfers out	(1,293,269)	(21,013)	(16,462)	-	(1,330,744)
Net cash provided by (used in) noncapital financing activities	(693,269)	(21,013)	(16,462)	-	(730,744)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(792,214)	(3,426,387)	-	-	(4,218,601)
Proceeds from sale of capital assets	-	(408,751)	-	-	(408,751)
Net cash provided by (used in) capital and related financing activities	(792,214)	(3,835,138)	-	-	(4,627,352)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	19,227	21,013	139,150	-	179,390
Net cash provided by investing activities	19,227	21,013	139,150	-	179,390
Net increase (decrease) in cash and temporary investments	(873,946)	1,174,008	(1,169,979)	3,495,462	2,625,545
Cash and temporary investments beginning of year	6,389,689	4,836,085	23,747,681	-	34,973,455
Cash and temporary investments end of year	\$ 5,515,743	6,010,093	22,577,702	3,495,462	37,599,000

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$ (891,950)	(2,719,144)	173,223	(1,684,742)	(5,122,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,112,236	7,335,095	523	-	9,447,854
Pension expense	(190,778)	(219,098)	28,808	-	(381,068)
Change in assets and liabilities increasing (decreasing) cash and temporary investments:					
Receivables	17,006	221,428	-	(252,364)	(13,930)
Prepaid expenses and other assets	(224,770)	40,487	78,559	(29,074)	(134,798)
Inventory of materials and supplies	-	46,547	-	-	46,547
Accounts payable	(213,323)	290,189	190,142	35,930	302,938
Unearned revenue	-	-	-	2,725,498	2,725,498
Accrued expenses and other liabilities	-	(11,142)	-	-	(11,142)
Liability for self-insurance losses	-	-	(1,766,132)	2,700,214	934,082
Accrued vacation, sick pay and overtime leave	(16,111)	24,784	2,210	-	10,883
Total adjustments	1,484,260	7,728,290	(1,465,890)	5,180,204	12,926,864
Net cash provided by (used in) operating activities	\$ 592,310	5,009,146	(1,292,667)	3,495,462	7,804,251

Supplemental information on significant noncash transactions:

Contributions of capital assets:					
Information Technology	\$ 1,860,623				
City Garage		4,706,105			

Fiduciary Fund

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

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Chesapeake
VIRGINIA

Statement of Changes in Assets and Liabilities
Special Welfare Fund
Year Ended June 30, 2016

	Balances at July 1, 2015	Additions	Deductions	Balances at June 30, 2016
ASSETS				
Cash and temporary investments	\$ 5,196	20,965	17,476	8,685
Total current assets	\$ 5,196	20,965	17,476	8,685
LIABILITIES				
Due to children under foster care	\$ 5,196	20,965	17,476	8,685
Total liabilities	\$ 5,196	20,965	17,476	8,685

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Chesapeake
VIRGINIA

Chesapeake Public Schools Component Unit

Major Governmental funds

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

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

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

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

Fiduciary Funds:

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

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



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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
 CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-1

Balance Sheet
 Governmental Funds
 June 30, 2016

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 34,209,328	3,143,264	4,068,307	-	41,420,899
Receivables	1,767,767	9,922	2,139	-	1,779,828
Due from federal government	18,380,706	1,468,283	-	-	19,848,989
Due from Commonwealth of Virginia	12,038,625	-	-	-	12,038,625
Inventory	2,161,499	428,954	-	-	2,590,453
Restricted cash and temporary investments	-	-	-	25,721,596	25,721,596
Total assets	\$ 68,557,925	5,050,423	4,070,446	25,721,596	103,400,390
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 39,984,226	496,808	39,750	1,745,086	42,265,870
Claims payable	6,947,128	-	-	-	6,947,128
Total liabilities	46,931,354	496,808	39,750	1,745,086	49,212,998
Deferred Inflows of Resources					
Unavailable revenues - sales taxes	4,254,453	-	-	-	4,254,453
Total deferred inflows of resources	4,254,453	-	-	-	4,254,453
Fund Balances					
Nonspendable:					
Inventory	2,161,499	428,954	-	-	2,590,453
Restricted:					
Capital Projects	-	-	-	23,976,510	23,976,510
Food services	-	4,124,661	-	-	4,124,661
School textbook	-	-	4,030,696	-	4,030,696
Future health, dental and worker's compensation	12,189,716	-	-	-	12,189,716
Technology	546,319	-	-	-	546,319
Instruction	1,464,618	-	-	-	1,464,618
Assigned to:					
Instruction	1,009,966	-	-	-	1,009,966
Total fund balances	17,372,118	4,553,615	4,030,696	23,976,510	49,932,939
Total liabilities, deferred inflows and fund balances	\$ 68,557,925	5,050,423	4,070,446	25,721,596	
Adjustments for the statement of net position:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					233,374,680
Long-term liabilities are not reported as liabilities in the governmental funds.					(39,172,015)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(281,100,674)
Deferred outflows are not reported in the governmental funds.					32,980,696
Net pension liabilities are not reported in the governmental funds.					(387,087,000)
Deferred inflows are not reported in the governmental funds.					(29,595,000)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					113,577
Assets are not available to pay current period expenditures and therefore are reported as unavailable in the governmental funds.					4,254,453
Net position of governmental activities					\$ (416,298,344)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

	General	Food Services	Textbooks	Capital Projects	Total Governmental Funds
REVENUES					
Intergovernmental revenues:					
City of Chesapeake	\$ 180,523,491	-	-	-	180,523,491
Commonwealth of Virginia	215,600,822	284,984	-	-	215,885,806
Federal government	19,337,957	8,210,132	-	-	27,548,089
Donated commodities from Federal government	-	900,386	-	-	900,386
Total intergovernmental	415,462,270	9,395,502	-	-	424,857,772
Charges for services	15,271,524	3,726,848	-	-	18,998,372
Interest	168,153	22,345	5,311	67,117	262,926
Miscellaneous	1,005,805	11,738	11,125	-	1,028,668
Total revenues	431,907,752	13,156,433	16,436	67,117	445,147,738
EXPENDITURES					
Education:					
Administration	8,939,820	-	-	-	8,939,820
Instruction	331,514,396	-	737,986	-	332,252,382
Attendance and health services	6,118,749	-	-	-	6,118,749
Pupil transportation	26,999,670	-	-	-	26,999,670
Operations and maintenance	42,619,339	-	-	-	42,619,339
School facilities services	471,698	-	-	-	471,698
School technology services	13,661,799	-	-	-	13,661,799
Total education	430,325,471	-	737,986	-	431,063,457
Food services	-	12,213,313	-	-	12,213,313
Debt service	2,046,116	-	-	-	2,046,116
Payment to primary government – return of interest income	168,153	-	-	67,117	235,270
Capital outlay	-	-	-	12,491,024	12,491,024
Total expenditures	432,539,740	12,213,313	737,986	12,558,141	458,049,180
Excess (deficiency) of revenues over (under) expenditures	(631,988)	943,120	(721,550)	(12,491,024)	(12,901,442)
OTHER FINANCING SOURCES (USES)					
Payment from Primary Government – proceeds of VPSA bonds	-	-	-	14,009,475	14,009,475
Payment from Primary Government for capital outlay and textbooks	-	-	1,387,000	4,750,000	6,137,000
Total other financing sources (uses)	-	-	1,387,000	18,759,475	20,146,475
Net change in fund balance	(631,988)	943,120	665,450	6,268,451	7,245,033
Fund balance - beginning	17,736,788	3,620,698	3,365,246	17,708,059	42,430,791
Increase (decrease) in reserve for inventory	267,318	(10,203)	-	-	257,115
Fund balance - ending	\$ 17,372,118	4,553,615	4,030,696	23,976,510	49,932,939

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-2, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

**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	\$ 7,245,033
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period.	2,004,974
In the Statement of Activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balances by the cost of the equipment sold.	(583,061)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,818,060
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues.	57,494
Because some sales taxes will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.	126,608
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	257,115
Changes in net OPEB obligations are reported only in the statement of activities	(1,921,021)
Changes in net pension liabilities are reported only in the statement of activities.	9,939,623
In the Statement of Activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences amount used exceeded the liabilities incurred by \$10,061,468 and self insurance amount paid exceeded claims incurred by \$576,301.	10,637,769
Change in net position of governmental activities	\$ 29,582,594

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-3

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	OPEB Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments	\$ -	5,072,915
Investments, at fair value		
Money market trust	2,786,002	-
Total assets	\$ 2,786,002	5,072,915
LIABILITIES AND NET POSITION		
Liabilities:		
Due to students	\$ -	5,072,915
Total liabilities	-	5,072,915
Net position:		
Held in trust for other postemployment benefits	2,786,002	-
Total net position	2,786,002	-
Total liabilities and net position	\$ 2,786,002	5,072,915

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-3A

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2016

	OPEB Trust Fund
ADDITIONS	
Contributions from employer	\$ 6,100,004
Contributions from plan members	3,400,675
Total additions	9,500,679
DEDUCTIONS	
Administrative expenses	18,538
Benefits and refunds paid on behalf of plan members and beneficiaries	18,600,679
Total deductions	18,619,217
Change in net position	(9,118,538)
Held in trust for other postemployment benefits - beginning of year	11,904,540
Held in trust for other postemployment benefits - end of year	\$ 2,786,002

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-4

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools General Fund
 Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
City of Chesapeake	\$ 181,835,000	181,835,000	180,523,491	(1,311,509)
Commonwealth of Virginia	214,764,573	214,801,339	215,600,822	799,483
Federal government	29,346,538	29,317,576	19,337,957	(9,979,619)
Charges for services	2,260,800	2,260,800	15,271,524	13,010,724
Interest	-	-	168,153	168,153
Miscellaneous	667,135	659,331	1,005,805	346,474
Total revenues	428,874,046	428,874,046	431,907,752	3,033,706
EXPENDITURES				
Education:				
Administration	8,383,351	8,609,222	8,939,820	(330,598)
Instruction	329,093,770	332,505,806	331,514,396	991,410
Attendance and health services	6,079,976	5,875,829	6,118,749	(242,920)
Pupil transportation	25,032,137	25,877,239	26,999,670	(1,122,431)
Operations and maintenance	42,928,155	41,834,240	42,619,339	(785,099)
School facilities services	466,449	466,449	471,698	(5,249)
School technology services	14,914,092	13,630,060	13,661,799	(31,739)
Total education	426,897,930	428,798,845	430,325,471	(1,526,626)
Debt service:				
Principal	1,818,060	1,818,060	1,818,060	-
Interest	228,056	228,056	228,056	-
Total debt service	2,046,116	2,046,116	2,046,116	-
Payment to Primary Government – return of interest income	-	-	168,153	168,153
Total expenditures	428,944,046	430,844,961	432,539,740	(1,358,473)
Excess (deficiency) of revenues over (under) expenditures	\$ (70,000)	(1,970,915)	(631,988)	1,338,927
Fund balance - beginning			17,736,788	
Increase (decrease) in reserve for inventory			267,318	
Fund balance - ending			\$ 17,372,118	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-5

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools Food Services Fund
 Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth of Virginia	\$ 150,000	150,000	284,984	134,984
Federal government	8,048,346	8,048,346	8,210,132	161,786
Charges for services	4,510,000	4,510,000	3,726,848	(783,152)
Interest	13,500	13,500	22,345	8,845
Miscellaneous	60,275	60,275	11,738	(48,537)
Total revenues	<u>12,782,121</u>	<u>12,782,121</u>	<u>12,256,047</u>	<u>(526,074)</u>
EXPENDITURES				
Operating costs:				
Purchases for resale	4,128,000	4,073,000	3,390,752	682,248
Food service salaries and fringe benefits	6,937,093	6,937,093	6,178,433	758,660
General and administrative	1,512,947	1,562,947	1,526,226	36,721
Other repairs and supplies	219,250	246,225	192,096	54,129
Capital outlay	94,000	94,000	15,354	78,646
Other expenditures	19,610	19,610	10,066	9,544
Total expenditures	<u>12,910,900</u>	<u>12,932,875</u>	<u>11,312,927</u>	<u>1,619,948</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (128,779)	(150,754)	943,120	1,093,874
Fund balance - beginning			3,620,698	
Increase (decrease) in reserve for inventory			(10,203)	
Fund balance - ending			\$ <u>4,553,615</u>	

CITY OF CHESAPEAKE, VIRGINIA
CHESAPEAKE PUBLIC SCHOOLS COMPONENT UNIT

Schedule S-6

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Schools Textbooks Fund
 Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 40,000	40,000	5,311	(34,689)
Miscellaneous	-	-	11,125	11,125
Total revenues	40,000	40,000	16,436	(23,564)
EXPENDITURES				
Instruction				
Textbooks	1,612,824	2,964,174	410,702	2,553,472
Expendable workbooks	906,134	906,134	327,284	578,850
Total expenditures	2,518,958	3,870,308	737,986	3,132,322
Excess (deficiency) of revenues over (under) expenditures	\$ (2,478,958)	(3,830,308)	(721,550)	3,108,758
Other financing sources (uses):				
Transfer from primary government			1,387,000	
Total other financing sources (uses)			1,387,000	
Net change in fund balance			665,450	
Fund balance - beginning			3,365,246	
Fund balance - ending			\$ 4,030,696	

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 Position
 Other Component Units
 June 30, 2016

	Chesapeake Mosquito Control Commission	Chesapeake Port Authority
ASSETS		
Cash and temporary investments	\$ 3,247,338	28,607
Inventory of materials and supplies	241,772	-
Receivables, net of allowance for uncollectible amounts	-	-
Prepaid expenses	123,586	-
Total current assets	3,612,696	28,607
Total assets	\$ 3,612,696	28,607
LIABILITIES, FUND BALANCE AND NET POSITION		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 28,675	17,890
Other liabilities	12	-
Total current liabilities	28,687	17,890
Noncurrent liabilities:		
Due to primary government	-	944,407
Total noncurrent liabilities	-	944,407
Total liabilities	28,687	962,297
Fund Balance		
Nonspendable:		
Inventory	241,772	-
Committed:		
Future capital improvements	1,000,000	-
Operations	1,093,728	-
Unassigned	1,248,509	-
Net Position		
Unrestricted (deficit)	-	(933,690)
Total fund balance and net position	3,584,009	(933,690)
Total liabilities, fund balance and net position	\$ 3,612,696	28,607
Reconciliation to Net Position:		
Total fund balance	\$ 3,584,009	
Capital assets - net of depreciation	2,693,986	
Deferred outflows	144,060	
Net pension liability	(785,081)	
Deferred inflows	(880,996)	
Net Position	\$ 4,755,978	

Statement of Revenues, Expenditures and Changes in Fund Balance
 Chesapeake Mosquito Control Commission
 Year Ended June 30, 2016

	Chesapeake Mosquito Control Commission
REVENUES	
Property taxes	\$ 4,128,630
Investment income	8,051
Other	32,787
Total revenues	4,169,468
EXPENDITURES	
Other salaries and wages	1,778,100
Other fringe benefits	808,803
Other repairs and supplies	756,055
Insurance premiums	248,564
Capital outlay	86,464
Payments to the Primary Government	1,250,000
Other	378,944
Total expenditures	5,306,930
Excess (deficiency) of revenues over (under) expenditures	(1,137,462)
Fund balance - beginning	4,721,471
Fund balance - ending	\$ 3,584,009

Reconciliation to Change in Net Position:

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.

Net change in fund balance	\$ (1,137,462)
Pension expense	189,483
Depreciation expense	(150,776)
Loss on disposal	(7,420)
Capital outlay expenditures	86,464
Change in Net Position	\$ (1,019,711)

Statement of Revenues, Expenditures and Changes in Fund Net Position
 Chesapeake Port Authority
 Year Ended June 30, 2016

	Chesapeake Port Authority
OPERATING REVENUES	
Other income	\$ 39,722
Total operating revenues	39,722
OPERATING EXPENSES	
General and administrative	5,160
Other expenses	41,635
Total operating expenditures	46,795
Operating income (loss)	(7,073)
NONOPERATING REVENUES (EXPENSES)	
Appropriations from the City	10,160
Total nonoperating revenues (expenses), net	10,160
Change in net position	3,087
Net position - beginning	(936,777)
Net position - ending	\$ (933,690)

Statement of Cash Flows
 Chesapeake Port Authority
 Year Ended June 30, 2016

	Chesapeake Port Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 39,722
Payments to suppliers	(28,905)
Net cash provided by (used in) operating activities	10,817
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
Appropriation from City	10,160
Net cash provided by (used in) noncapital financing activities	10,160
Net increase (decrease) in cash and temporary investments	20,977
Cash and temporary investments beginning of year	7,630
Cash and temporary investments end of year	\$ 28,607
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (7,073)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities increasing (decreasing) cash and temporary investments:	
Accounts payable	17,890
Total adjustments	17,890
Net cash provided by (used in) operating activities	\$ 10,817

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Chesapeake
VIRGINIA

STATISTICAL SECTION

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



CITY OF CHESAPEAKE, VIRGINIA

Net Position by Component
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2007	2008	2009	2010
Governmental Activities				
Net investment in capital assets	\$ 666,474,648	684,361,590	701,163,988	711,456,653
Restricted for:				
Capital projects	8,818,429	8,353,966	6,797,052	6,733,774
Debt service	9,498,240	6,836,388	7,032,992	5,977,598
Other purposes:				
Expendable	39,740,870	44,031,261	48,053,608	61,966,212
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	193,675,640	199,553,990	186,150,360	172,115,671
Total governmental activities net position	\$ 918,220,622	943,149,990	949,210,795	958,262,703
Business-Type Activities				
Net investment in capital assets	\$ 263,256,688	275,037,856	287,074,512	274,620,304
Restricted for:				
Capital projects	3,053,741	2,919,414	3,110,328	1,421,019
Debt service	4,987,244	4,995,386	6,095,925	8,400,300
Other purposes:				
Expendable	55,711,887	66,957,564	71,224,863	90,743,786
Nonexpendable	2,492,078	1,956,411	1,161,632	(1,229,016)
Unrestricted	2,492,078	1,956,411	1,161,632	(1,229,016)
Total business-type activities net position	\$ 329,501,638	351,866,631	368,667,260	373,956,393
Primary Government				
Net investment in capital assets	\$ 929,731,336	959,399,446	988,238,500	986,076,957
Restricted for:				
Capital projects	11,872,170	11,273,380	9,907,380	8,154,793
Debt service	14,485,484	11,831,774	13,128,917	14,377,898
Other purposes:				
Expendable	95,452,757	95,452,179	119,278,471	152,709,998
Nonexpendable	12,795	12,795	12,795	12,795
Unrestricted	196,167,718	201,510,401	187,311,992	170,886,655
Total Primary Government net position	\$ 1,247,722,260	1,279,479,975	1,317,878,055	1,332,219,096
Component Units				
Net investment in capital assets	\$ 97,490,222	124,861,846	144,813,085	155,905,524
Restricted for:				
Capital projects	32,955,766	23,851,420	36,422,441	44,293,952
Other purposes:				
Expendable	-	2,010,154	1,994,027	2,334,502
Nonexpendable	(8,265,134)	(52,681,911)	(91,627,322)	(143,537,497)
Unrestricted	(8,265,134)	(52,681,911)	(91,627,322)	(143,537,497)
Total component units net position	\$ 122,180,854	98,041,509	91,602,231	58,996,481

Table 1

Fiscal Years					
2011	2012	2013	2014	2015	2016
735,161,026	762,765,688	715,309,724	725,639,898	751,215,126	803,408,601
7,208,270	7,541,231	7,945,218	7,730,629	9,289,916	9,496,284
5,585,278	2,974,020	3,051,674	1,104,771	524,780	572,809
64,874,383	66,019,778	65,320,915	71,603,633	73,178,331	79,026,265
12,795	12,795	12,795	12,795	12,795	12,795
197,640,231	180,953,477	194,955,789	212,685,592	100,085,810	127,611,781
1,010,481,983	1,020,266,989	986,596,115	1,018,777,318	934,306,758	1,020,128,535
282,334,648	286,255,165	338,956,191	363,131,229	380,994,500	374,310,640
2,969,658	1,765,682	4,909,101	4,192,551	10,285,096	13,054,525
11,051,969	10,331,849	40,167,626	36,168,752	33,995,534	33,421,662
99,837,905	116,409,613	112,058,449	133,882,562	135,829,971	149,570,921
(1,185,861)	(1,543,594)	(1,170,944)	(18,150,568)	(28,147,438)	(4,026,298)
395,008,319	413,218,715	494,920,423	519,224,526	532,957,663	566,331,450
1,017,495,674	1,049,020,853	1,054,265,915	1,088,771,127	1,132,209,626	1,177,719,241
10,177,928	9,306,913	12,854,319	11,923,180	19,575,012	22,550,809
16,637,247	13,305,869	43,219,300	37,273,523	34,520,314	33,994,471
164,712,288	182,429,391	177,379,364	205,486,195	209,008,302	234,119,721
12,795	12,795	12,795	12,795	12,795	12,795
196,454,370	179,409,883	193,784,845	194,535,024	71,938,372	117,464,948
1,405,490,302	1,433,485,704	1,481,516,538	1,538,001,844	1,467,264,421	1,585,861,985
177,640,500	218,780,868	226,212,630	231,613,876	240,465,301	238,621,923
22,133,039	15,625,180	27,122,536	22,562,553	17,708,059	23,976,510
1,234,356	38,848,921	36,950,588	27,909,453	22,479,251	22,906,943
(189,089,275)	(286,045,269)	(303,617,981)	(298,929,160)	(692,757,169)	(673,085,649)
11,918,620	(12,790,300)	(13,332,227)	(16,843,278)	(412,104,558)	(387,580,273)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2007	2008	2009	2010
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 11,622,631	11,413,581	15,214,785	14,634,265
Public safety	6,128,427	6,025,679	5,749,819	6,066,443
Public works	1,285,196	1,460,197	1,661,573	2,533,979
Parks and recreation	74,480	79,588	1,040,947	1,058,795
Public welfare	2,715,215	3,466,956	3,240,175	3,758,146
Operating grants and contributions	91,298,815	99,583,775	94,712,370	93,882,445
Capital grants and contributions	13,814,033	11,219,370	21,872,574	10,319,478
Total governmental activities program revenues	<u>\$ 126,938,797</u>	<u>133,249,146</u>	<u>143,492,243</u>	<u>132,253,551</u>
Business-type activities:				
Charges for Services:				
Public Utilities	\$ 47,743,685	52,591,554	56,097,409	55,733,051
Chesapeake Transportation System	7,375,691	7,217,160	6,910,173	7,097,481
Stormwater Management	6,645,062	10,580,469	13,036,755	14,194,442
Northwest River Park	120,954	108,187	-	-
Jordan Bridge	1,591,275	1,501,230	527,523	-
Recreation	711,779	716,131	-	-
Operating grants and contributions	2,878,949	2,591,258	1,871,101	1,145,292
Capital grants and contributions	13,419,662	15,845,647	10,661,753	3,597,675
Total business-type program revenues	<u>\$ 80,487,057</u>	<u>91,151,636</u>	<u>89,104,714</u>	<u>81,767,941</u>
Total Primary Government program revenues	<u>\$ 207,425,854</u>	<u>224,400,782</u>	<u>232,596,957</u>	<u>214,021,492</u>
Component Units				
Charges for Services:				
Public Schools	\$ 8,398,845	8,227,885	7,426,524	7,245,368
Chesapeake Port Authority	-	-	-	-
Chesapeake Airport Authority	371,644	391,022	394,838	431,858
Elizabeth River Properties of Chesapeake, Inc.	-	64,151	78,675	88,050
Operating grants and contributions	86,696,917	87,790,467	85,261,245	89,515,940
Capital grants and contributions	1,922,839	1,907,684	1,895,524	955,420
Total component unit program revenues	<u>\$ 97,390,245</u>	<u>98,381,209</u>	<u>95,056,806</u>	<u>98,236,636</u>
Total Primary Government and component units program revenues	<u>\$ 304,816,099</u>	<u>322,781,991</u>	<u>327,653,763</u>	<u>312,258,128</u>

Table 2

Fiscal Years					
2011	2012	2013	2014	2015	2016
15,176,526	15,655,753	19,070,413	17,991,011	17,221,747	17,919,246
7,170,555	8,004,960	4,552,411	4,930,678	6,065,257	6,327,000
1,819,486	572,422	491,789	579,655	423,362	397,605
1,203,236	1,185,891	1,119,617	1,199,110	1,179,898	1,325,959
3,907,048	3,634,765	3,876,330	4,730,175	6,036,692	8,128,191
112,543,495	114,361,618	95,148,851	94,884,033	94,843,600	108,437,341
2,840,507	2,971,533	7,941,256	4,135,767	7,297,723	23,145,655
144,660,853	146,386,942	132,200,667	128,450,429	133,068,279	165,680,997
66,688,401	63,871,301	59,999,277	66,585,995	69,235,499	71,895,798
8,151,134	10,488,113	10,310,889	10,475,725	11,101,413	11,938,642
14,767,660	14,833,052	14,973,046	15,183,909	15,644,842	15,661,983
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,185,967	1,309,146	1,501,314	1,132,388	1,210,881	1,419,816
3,102,397	2,662,708	32,250,518	7,412,395	7,932,525	12,942,811
93,895,559	93,164,320	119,035,044	100,790,412	105,125,160	113,859,050
238,556,412	239,551,262	251,235,711	229,240,841	238,193,439	279,540,047
7,243,389	7,097,754	7,628,806	14,692,607	16,611,124	18,998,372
38,550	36,210	39,400	42,135	35,905	39,722
435,781	424,813	434,049	429,444	427,789	434,638
96,100	100,730	97,283	110,753	124,003	111,979
100,528,447	112,735,654	93,629,158	99,476,140	93,982,567	97,479,921
1,125,139	1,541,294	1,204,851	1,311,294	1,190,330	1,163,712
109,467,406	121,936,455	103,033,547	116,062,373	112,371,718	118,228,344
348,023,818	361,487,717	354,269,258	345,303,214	350,565,157	397,768,391

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 117,954,878	135,964,547	143,489,932	143,639,154
Public safety	82,617,025	93,861,996	91,889,008	87,113,239
Public works	44,270,405	52,669,486	47,649,415	48,092,037
Parks and recreation	6,747,501	7,553,891	9,066,099	7,795,681
Public welfare	40,178,450	43,104,880	44,005,141	42,497,064
Education	209,181,274	212,504,699	226,520,024	213,633,155
Interest on long term debt	20,504,113	20,048,717	18,948,390	19,234,044
Depreciation and amortization - net unallocated portion	22,485,199	22,321,802	22,760,633	22,734,730
Total governmental activities	<u>\$ 543,938,845</u>	<u>588,030,018</u>	<u>604,328,642</u>	<u>584,739,104</u>
Business-type activities:				
Public Utilities	\$ 45,326,237	49,066,651	51,901,055	53,143,253
Chesapeake Transportation System	10,069,048	9,353,126	9,945,582	11,183,690
Stormwater Management	3,504,445	6,200,482	7,140,754	8,838,137
Northwest River Park	108,625	114,018	-	-
Jordan Bridge	1,149,121	1,368,308	2,074,693	181,365
Recreation	666,376	681,384	-	-
Total business-type activities	<u>\$ 60,823,852</u>	<u>66,783,969</u>	<u>71,062,084</u>	<u>73,346,445</u>
Total Primary Government	<u>\$ 604,762,697</u>	<u>654,813,988</u>	<u>675,390,726</u>	<u>658,085,549</u>
Component units				
Public Schools	\$ 413,008,600	495,669,077	500,750,043	486,073,626
Chesapeake Mosquito Control Commission	4,558,222	4,595,989	4,833,609	4,717,522
Economic Development Authority	5,120,015	3,529,822	2,380,983	2,232,533
Chesapeake Port Authority	14,672	15,404	12,479	8,619
Chesapeake Airport Authority	1,421,866	1,295,891	1,396,948	1,656,760
Elizabeth River Properties of Chesapeake, Inc.	-	70,361	107,633	110,503
Total component units	<u>\$ 424,123,375</u>	<u>505,176,544</u>	<u>509,481,695</u>	<u>494,799,563</u>
Net (Expense)/Revenue				
Governmental activities	\$ (417,000,048)	(454,780,872)	(460,836,399)	(452,485,553)
Business-type activities	19,663,205	24,367,667	18,042,630	8,421,496
Total Primary Government net expense	<u>\$ (397,336,843)</u>	<u>(430,413,205)</u>	<u>(442,793,769)</u>	<u>(444,064,057)</u>
Total component units net expense	<u>\$ (326,733,130)</u>	<u>(406,795,335)</u>	<u>(414,424,889)</u>	<u>(396,562,927)</u>

Table 2, Continued

Fiscal Years					
2011	2012	2013	2014	2015	2016
138,721,838	144,974,198	149,330,767	152,704,171	129,569,793	125,133,326
90,494,294	100,787,254	83,454,031	93,375,929	91,413,819	90,907,369
40,170,140	47,637,435	40,647,017	38,746,709	58,920,091	52,877,267
8,344,251	7,804,170	9,693,509	2,516,007	2,439,039	8,423,774
44,417,008	44,804,508	40,991,944	42,027,655	44,174,172	45,705,033
179,064,673	203,047,686	208,985,915	189,942,276	191,962,233	208,466,021
19,801,226	17,885,365	15,821,682	15,001,553	13,597,584	12,228,723
21,783,568	20,169,069	19,429,215	18,824,944	16,215,291	15,331,944
542,796,998	587,109,685	568,354,080	553,139,244	548,292,022	559,073,457
54,051,300	56,133,023	54,559,573	57,339,899	59,665,753	59,789,391
9,728,730	10,587,608	11,981,231	10,430,045	8,973,844	8,987,678
8,903,174	7,761,421	9,256,065	8,755,098	11,578,159	11,541,070
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
72,683,204	74,482,052	75,796,869	76,525,042	80,217,756	80,318,139
615,480,202	661,591,737	644,150,949	629,664,286	628,509,778	639,391,596
474,747,371	472,886,416	449,879,147	444,265,205	442,852,339	435,759,664
4,087,128	4,630,205	4,520,768	4,018,404	4,033,457	5,181,759
1,521,383	2,364,300	883,000	789,713	686,818	3,322,203
38,752	44,866	50,187	53,350	46,498	46,795
1,297,329	1,324,282	1,285,463	1,359,188	1,583,143	1,340,246
116,800	145,536	188,512	179,427	190,881	223,076
481,808,763	481,395,605	456,807,077	450,665,287	449,393,136	445,873,743
(398,136,145)	(440,722,743)	(436,153,413)	(424,688,815)	(415,223,743)	(393,392,460)
21,212,355	18,682,268	43,238,175	24,265,370	24,907,404	33,540,911
(376,923,790)	(422,040,475)	(392,915,238)	(400,423,445)	(390,316,339)	(359,851,549)
(372,341,357)	(359,459,150)	(353,773,530)	(334,602,914)	(337,021,418)	(327,645,399)

(Continued)

CITY OF CHESAPEAKE, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years - Unaudited

	Fiscal Years			
	2007	2008	2009	2010
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 290,780,794	306,455,101	308,040,890	307,213,245
Local sales and use taxes	35,952,042	35,091,242	32,772,077	31,888,444
Business license taxes	24,170,737	24,381,697	23,960,628	22,022,114
Consumer utility taxes	21,166,147	23,556,638	10,016,340	10,115,683
Other taxes	41,880,370	41,183,079	47,569,929	48,297,304
Grants and contributions not restricted to specific programs	32,178,481	31,527,350	31,439,703	31,520,409
Unrestricted investment earnings	13,435,389	11,268,317	7,444,350	3,881,599
Miscellaneous	3,101,211	4,103,726	3,516,856	3,465,033
Transfers	1,336,063	2,143,668	370,150	3,133,630
Total general activities revenues & transfers	<u>\$ 464,001,234</u>	<u>479,710,818</u>	<u>465,130,923</u>	<u>461,537,461</u>
Business-type activities:				
Unrestricted investment earnings	\$ 124,242	140,994	64,430	1,269
Transfers	(1,336,063)	(2,143,668)	(370,150)	(3,133,630)
Total business-type activities revenues & transfers	<u>\$ (1,211,821)</u>	<u>(2,002,674)</u>	<u>(305,720)</u>	<u>(3,132,361)</u>
Total Primary Government revenues & transfers	<u>\$ 462,789,413</u>	<u>477,708,144</u>	<u>464,825,203</u>	<u>458,405,100</u>
Component Units:				
Payment from City	\$ 202,519,335	204,566,937	218,635,536	205,717,540
Grants and contributions not restricted to specific programs	166,996,775	170,014,139	183,774,094	155,771,193
Unrestricted investment earnings	2,410,518	4,065,837	1,764,666	1,105,263
Miscellaneous	589,023	2,747,274	3,811,315	1,363,181
Total component units	<u>\$ 372,515,651</u>	<u>381,394,187</u>	<u>407,985,611</u>	<u>363,957,177</u>
Change in Net Position				
Governmental activities	\$ 47,001,186	24,929,946	4,294,524	9,051,908
Business-type activities	18,451,384	22,364,993	17,736,910	5,289,135
Total Primary Government net change in net position	<u>\$ 65,452,570</u>	<u>47,294,939</u>	<u>22,031,434</u>	<u>14,341,043</u>
Total component units net change in net position	<u>\$ 45,782,521</u>	<u>(25,401,148)</u>	<u>(6,439,278)</u>	<u>(32,605,750)</u>

Table 2, Continued

Fiscal Years					
2011	2012	2013	2014	2015	2016
298,873,974	293,799,799	288,743,868	298,879,122	305,738,657	311,753,152
32,065,910	33,751,538	34,451,337	35,389,855	37,236,136	38,134,836
23,030,916	24,752,986	24,268,792	25,068,518	25,684,602	25,432,077
10,312,035	10,027,978	10,258,697	10,450,356	10,624,686	10,549,605
49,341,676	50,533,368	50,956,443	50,985,268	52,988,967	55,170,564
31,510,142	31,646,114	31,739,924	31,725,721	31,873,268	32,200,518
2,281,828	2,400,850	162,669	1,538,560	1,688,206	2,212,618
2,778,515	3,123,243	2,961,604	2,871,351	3,718,394	3,593,743
160,429	471,873	5,295,381	(38,733)	190,553	167,124
450,355,425	450,507,749	448,838,715	456,870,018	469,743,469	479,214,237
-	-	-	-	-	-
(160,429)	(471,873)	(5,295,381)	38,733	(190,553)	(167,124)
(160,429)	(471,873)	(5,295,381)	38,733	(190,553)	(167,124)
450,194,996	450,035,876	443,543,334	456,908,751	469,552,916	479,047,113
171,309,720	195,333,708	201,293,387	182,260,318	184,457,843	200,669,966
152,297,184	137,894,439	151,059,807	147,665,810	155,306,935	154,989,654
591,149	333,931	86,192	168,006	242,790	262,926
1,065,443	1,188,152	792,217	1,046,806	1,146,129	950,105
325,263,496	334,750,230	353,231,603	331,140,940	341,153,697	356,872,651
52,219,280	9,785,006	12,685,302	32,181,203	54,519,726	85,821,777
21,051,926	18,210,395	37,942,794	24,304,103	24,716,851	33,373,787
73,271,206	27,995,401	50,628,096	56,485,306	79,236,577	119,195,564
(47,077,861)	(24,708,920)	(541,927)	(3,461,974)	4,132,279	29,227,252

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 3

Fund Balances, Governmental Funds
Last Ten Fiscal Years - Unaudited

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

	Fiscal Years				
	2012	2013	2014	2015	2016
General Fund ²					
Nonspendable	\$ 1,128,589	1,173,244	1,189,121	1,433,615	1,559,275
Restricted for cash flow emergencies	30,923,382	30,923,382	31,310,247	31,981,331	32,623,282
Restricted other	1,011,910	833,686	700,071	468,823	540,507
Committed for operating emergencies	25,769,311	25,769,311	26,091,873	-	-
Committed for emergency event response and recovery	20,000,000	20,000,000	20,000,000	-	-
Committed for one time projects	-	-	-	34,275,685	46,901,273
Committed other	21,354,919	19,799,695	19,669,549	21,351,556	30,964,586
Assigned	1,288,513	4,364,542	1,677,416	5,416,979	9,832,438
Unassigned	33,445,706	40,797,644	52,230,084	63,962,662	65,246,428
Total general fund	134,922,330	143,661,504	152,868,361	158,890,651	187,667,789
All Other Governmental Funds					
Nonspendable	215,768	203,387	593,670	422,548	402,847
Restricted	38,624,448	34,357,794	40,383,450	39,598,073	46,583,273
Committed	35,592,442	27,181,725	25,246,730	54,059,196	48,759,647
Assigned	108,523,321	116,794,758	107,129,606	77,828,467	62,346,748
Unassigned	(21,229)	(146,211)	-	-	-
Total all other governmental funds	182,934,750	178,391,453	173,353,456	171,908,284	158,092,515
Total Governmental Funds	\$ 317,857,080	322,052,957	326,221,817	330,798,935	345,760,304

¹ Total Governmental Funds expendable minus General Fund expendable.² With the implementation of the Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, the fund balance is divided into five categories: Nonspendable, Restricted, Committed, Assigned and Unassigned. Previously, fund categories were comprised of reserved, unreserved-designated and unreserved-undesignated. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

CITY OF CHESAPEAKE, VIRGINIA

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

	2007	2008	2009	2010
REVENUES				
General property taxes	\$ 287,428,178	303,752,471	305,829,730	304,947,151
Other local taxes	117,811,881	118,584,264	114,318,974	112,323,545
Licenses, permits and fees	8,267,568	8,320,450	7,803,173	7,575,603
Fines and forfeitures	3,284,658	3,571,138	2,335,259	2,028,178
Investment income	12,277,373	10,159,705	6,904,289	3,591,409
Revenues from use of property	752,247	821,971	848,257	804,015
Charges for services	14,430,213	15,356,589	16,237,073	18,153,264
Miscellaneous local revenues	2,111,967	2,579,045	4,352,154	3,173,343
Recovered costs	2,235,212	2,452,331	2,548,192	2,272,195
Program income	196,657	140,431	277,191	206,739
Revenues from local developers	1,539,730	1,088,464	705,995	831,779
Intergovernmental revenues:				
Commonwealth of Virginia	101,746,899	106,204,101	101,886,059	95,205,573
Federal government	16,213,096	19,646,487	17,117,982	19,485,307
Federal government - American Reinvestment and Recovery Act	-	-	3,188,902	9,012,210
Mosquito Control Commission	300,000	300,000	-	-
Chesapeake Public Schools	3,050,079	4,456,580	2,229,109	960,855
Total revenues	571,645,758	597,434,027	586,582,339	580,571,166
EXPENDITURES				
Current:				
General government	104,994,583	114,701,994	118,517,768	117,475,619
Public safety	83,176,840	91,538,720	88,970,424	87,356,259
Public works	47,655,696	52,950,476	52,872,322	54,166,903
Parks and recreation	6,910,347	7,827,906	8,889,221	8,364,559
Public welfare	39,744,863	41,520,684	43,289,297	42,255,922
Public welfare - Payment to Elizabeth River Properties of Chesapeake, Inc.	-	1,040,243	50,282	53,368
Education - Payments to Public Schools	202,519,335	204,566,937	218,635,536	205,717,540
General government - Payments to Mosquito Control Commission	-	-	-	-
Capital outlay	44,627,098	37,665,536	32,194,102	42,246,435
Debt service:				
Principal ¹	30,420,147	33,226,719	35,766,343	37,413,352
Interest	21,508,440	20,321,152	19,497,740	17,129,985
Total expenditures	581,557,349	605,360,367	618,683,035	612,179,942
Excess (deficiency) of revenues over (under) expenditures	(9,911,591)	(7,926,340)	(32,100,696)	(31,608,776)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	110,177,288	112,215,093	105,080,053	113,218,228
Proceeds from equipment capital leases	-	-	-	4,490,443
General obligation bonds issued	-	-	23,015,000	2,555,000
General obligation refunding bonds issued	-	-	17,255,000	-
Transfers to other funds	(110,345,316)	(117,513,581)	(105,121,391)	(109,862,086)
Payment to refunded bond escrow agent	-	-	(17,774,815)	-
Premiums on general obligation bonds issued	-	-	732,755	-
VPSA bond proceeds	28,080,000	9,490,000	34,285,000	12,280,000
Premiums on VPSA bonds	927,672	513,048	2,715,026	978,896
Total other financing sources (uses)	28,839,644	4,704,560	60,186,628	23,660,481
Net change in fund balances	\$ 18,928,053	(3,221,780)	28,085,932	(7,948,295)
Debt service as a percentage of noncapital expenditures²	9.67%	9.43%	9.42%	9.57%

¹ Includes other debt related expenses

² Debt service as a percentage of noncapital expenditures is calculated as follows:
(debt service payments (principal and interest) / total expenditures less capital outlay expenditures)

Table 4

Fiscal Years					
2011	2012	2013	2014	2015	2016
296,632,594	293,402,936	290,256,858	295,012,634	303,776,731	309,687,694
114,750,537	119,065,871	119,935,269	121,893,999	126,534,391	129,287,082
7,972,072	8,307,084	8,091,767	8,526,755	8,744,557	8,984,478
2,261,473	2,675,066	3,000,462	2,689,990	2,585,943	2,497,583
2,050,170	2,252,138	220,723	1,417,282	1,533,894	2,026,798
778,597	898,374	895,198	946,050	876,770	953,199
18,828,633	17,862,425	17,754,480	18,047,555	19,459,056	22,356,868
1,794,641	2,129,706	2,400,427	4,542,690	3,080,064	3,791,848
1,809,704	2,036,718	1,736,917	1,853,213	2,790,430	2,188,833
124,629	158,692	69,815	649,715	138,654	257,538
412,363	585,076	669,054	809,803	1,617,834	1,062,059
103,376,371	106,086,317	103,681,099	105,987,373	108,369,232	116,529,745
31,301,818	35,562,794	19,525,713	15,611,161	15,175,831	19,863,946
7,508,761	2,262,536	1,769,751	1,853,891	888,431	892,605
-	-	-	-	-	1,250,000
541,907	269,357	119,662	146,377	213,430	235,270
590,144,270	593,555,090	570,127,195	579,988,488	595,785,248	621,865,546
115,688,136	118,108,161	114,270,761	116,553,224	112,021,828	112,965,759
89,830,242	97,250,186	90,042,746	89,357,145	94,467,782	93,772,637
48,602,743	49,987,411	53,610,904	50,867,236	60,880,687	59,339,632
8,397,383	8,251,131	8,237,407	8,705,783	9,767,667	10,382,616
44,026,969	44,353,875	41,062,109	41,755,349	44,677,723	46,735,975
43,133	33,625	-	-	-	-
171,309,720	195,333,708	201,293,387	182,260,318	184,457,843	200,669,966
-	347,408	-	-	-	-
56,570,778	67,227,782	26,928,990	27,565,329	29,755,807	56,329,436
27,821,247	40,084,951	42,023,919	56,969,642	41,354,583	28,911,589
29,811,366	18,612,948	16,496,449	15,151,883	14,093,015	12,608,768
592,101,717	639,591,186	593,966,672	589,185,909	591,476,935	621,716,378
(1,957,447)	(46,036,096)	(23,839,477)	(9,197,421)	4,308,313	149,168
109,787,305	95,800,084	97,153,386	82,474,033	95,845,901	71,832,037
-	-	-	-	(383,863)	-
52,845,000	-	-	-	-	-
-	76,840,000	-	13,175,000	-	-
(116,595,421)	(95,643,209)	(99,773,872)	(82,721,065)	(95,193,233)	(71,117,755)
-	(84,369,830)	-	-	-	-
770,237	5,786,007	-	438,313	-	-
-	14,170,000	26,690,000	-	-	12,170,000
-	832,673	3,997,373	-	-	1,927,919
46,807,121	13,415,725	28,066,887	13,366,281	268,805	14,812,201
44,849,674	(32,620,371)	4,227,410	4,168,860	4,577,118	14,961,369
10.76%	10.26%	10.32%	12.84%	9.87%	7.34%

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

	Fiscal Years				
	2007	2008	2009	2010	2011
Real Property Assessed Value ¹	\$ 22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672
Real Property Estimated Actual Value ¹	22,067,528,772	24,740,116,412	25,573,792,526	25,479,133,480	24,341,395,672
Personal Property Assessed Value ¹	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740
Personal Property Estimated Actual Value ¹	1,735,938,436	1,794,797,155	1,661,974,067	1,729,944,961	1,787,140,740
Total Assessed Value	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412
Total Direct Tax Rate ²	1.30	1.24	1.22	1.23	1.24
Estimated Actual Value	23,803,467,208	26,534,913,567	27,235,766,593	27,209,078,441	26,128,536,412
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

	Fiscal Years				
	2012	2013	2014	2015	2016
Real Property Assessed Value ¹	\$ 23,821,885,769	23,197,467,449	23,391,965,862	23,905,386,600	24,370,701,634
Real Property Estimated Actual Value ¹	23,821,885,769	23,197,467,449	23,391,965,862	23,905,386,600	24,370,701,634
Personal Property Assessed Value ¹	1,821,013,997	1,880,111,642	1,965,284,896	2,003,412,774	2,125,717,799
Personal Property Estimated Actual Value ¹	1,821,013,997	1,880,111,642	1,965,284,896	2,003,412,774	2,125,717,799
Total Assessed Value	25,642,899,766	25,077,579,091	25,357,250,758	25,908,799,374	26,496,419,433
Total Direct Tax Rate ²	1.25	1.26	1.27	1.27	1.28
Estimated Actual Value	25,642,899,766	25,077,579,091	25,357,250,758	25,908,799,374	26,496,419,433
Ratio of Total Assessed Value to Total Estimated Actual Value	100.00%	100.00%	100.00%	100.00%	100.00%

¹ Source: City of Chesapeake Commissioner of the Revenue² The Direct Tax Rate is calculated using a formula that includes the City's actual current tax rates which are \$1.04 per \$100 for real property and \$4.00 per \$100 for personal property.

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

		Fiscal Years									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real Estate ^{1,2}	\$	1.09	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Motor Vehicles		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Motor Vehicles Disabled Vets		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Motor Carriers		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Recreation Vehicles ⁴		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Handicap Vehicles		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Boats		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Business Personal Property ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile Homes ⁵		1.09	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
Machinery & Tools ⁴		3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Farm ⁴		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Airplanes ⁴		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Total Direct Rate ⁶	\$	1.30	1.24	1.22	1.23	1.24	1.25	1.26	1.27	1.27	1.28

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

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

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

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

⁵ Mobile home assessments are based on per square foot values provided by a recognized pricing guide.

⁶ The Direct tax rate is calculated using a weighted formula that includes the current tax rates of \$1.04 for real property and \$4.00 for personal property.

SOURCE: City of Chesapeake, Ordinances

CITY OF CHESAPEAKE, VIRGINIA

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago - Unaudited

Principal Taxpayer	Type of Business	Fiscal Year 2016		Fiscal Year 2007	
		Real Property Assessed Value	Percent of Total Assessed Value	Real Property Assessed Value	Percent of Total Assessed Value
Dominion Virginia Power	Electric Utility	\$ 538,004,410	2.20%	\$ 629,981,255	2.85%
Greenbrier Mall II LLC	Shopping Mall & Vacant Land	92,012,600	0.38%	101,653,200	0.46%
Walmart Stores East LP	Shopping Center	65,304,400	0.26%	-	0.00%
Verizon South	Telecommunications Utility	63,275,650	0.26%	-	0.00%
CP Venture Two LLC	Shopping Center, Bank, Restaurant	55,281,900	0.23%	51,951,200	0.24%
JPMCC	Shopping Mall	54,894,500	0.23%	-	0.00%
CIP II/API Cahoon LLC	Apartment Complex	54,411,500	0.22%	-	0.00%
Woodlake Company Limited Ptrshp	Apartment Complex	54,072,400	0.22%	48,992,300	0.22%
Chesapeake CVSD LN Apt Prop Own	Apartment Complex	51,281,200	0.21%	-	0.00%
Edinburg Apts	Apartment Complex	48,107,300	0.20%	-	0.00%
Empirian Chesapeake LLC	Apartment Complex	-	0.00%	57,363,700	0.26%
Chesapeake Mall LLC	Shopping Mall	-	0.00%	81,824,000	0.37%
Liberty Property LTD	Shopping Center & Office Bldg	-	0.00%	73,542,100	0.33%
JLP Chesapeake LLC	Retail and Vacant Land	-	0.00%	40,587,700	0.18%
CPRE 1 Bay LLC	Apartment Complex	-	0.00%	35,204,300	0.16%
352 Commercial	Apartment Complex	-	0.00%	30,679,500	0.14%
Total Top Ten Principal Taxpayers ¹		\$ 1,076,645,860	4.41%	\$ 1,151,779,255	5.22%
Total Assessed Valuation ²		\$ 24,370,701,634		\$ 22,067,558,772	

Source: ¹ City of Chesapeake Real Estate Assessor² City of Chesapeake Commissioner of Revenue

CITY OF CHESAPEAKE, VIRGINIA

Table 8

Property Tax Levies
Last Ten Fiscal Years - Unaudited

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

	Fiscal Years				
	2012	2013	2014	2015	2016
Real Property ¹	\$ 239,592,086	232,728,788	234,953,853	240,400,500	246,824,270
Motor Vehicles	57,005,425	58,046,052	60,253,531	61,865,858	65,747,073
Motor Carriers	832,321	1,078,933	1,096,643	1,231,613	1,487,378
Recreation Vehicles	428,150	434,856	468,503	495,862	564,838
Boats	38	16,577	25,467	19,677	28,080
Business	10,871,320	10,823,401	11,393,593	11,588,129	11,514,150
Motor Homes	150,445	145,410	133,526	133,987	135,097
Machinery & Tools	2,525,561	2,807,478	2,840,962	2,697,358	2,803,960
Farm	125,153	137,745	136,734	145,217	160,854
Airplanes	44,540	40,719	51,540	45,349	51,958

¹ Public service corporation property is not included

Source: City of Chesapeake Commissioner of the Revenue

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years - Unaudited

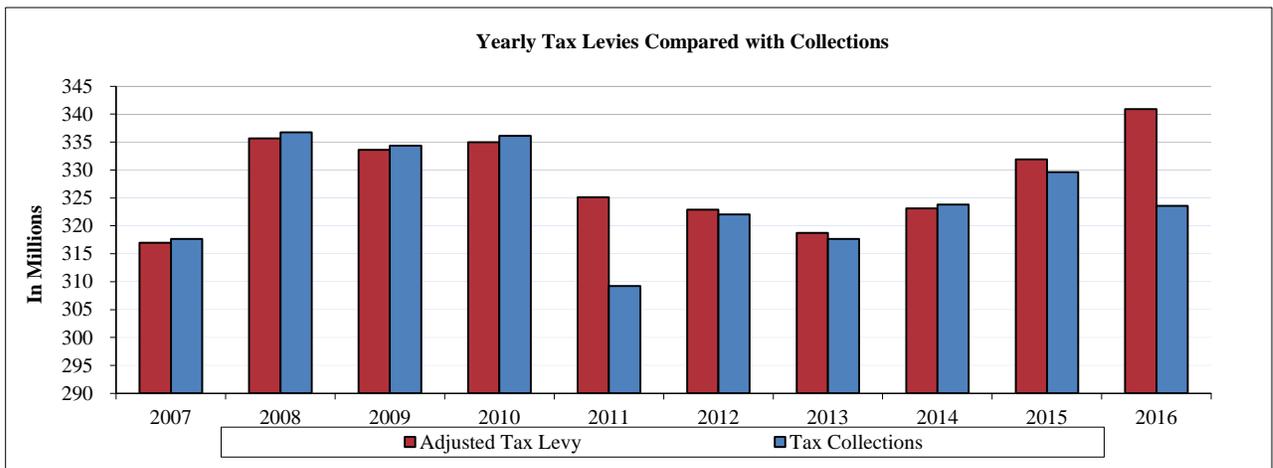
Fiscal Years	Original Levy	Adjusted Levy ³	Collected in Initial Period ^{1,2}	Percent of Levy Collected Within Fiscal Year of Levy	Collections in Subsequent Years ¹	Cumulative Tax Collections	Cumulative Collections as a Percent of Adjusted Tax Levy
2007	\$ 313,521,798	316,965,021	302,736,730	97%	14,938,531	317,675,261	100%
2008	333,265,029	335,672,237	320,625,461	96%	16,130,611	336,756,072	100%
2009	333,315,537	333,586,467	321,158,867	96%	13,177,488	334,336,355	100%
2010	335,044,180	335,000,692	322,313,673	96%	13,809,160	336,122,833	100%
2011	325,454,707	325,119,953	293,876,393	90%	15,337,345	309,213,738	95%
2012	322,131,965	322,915,229	307,325,140	95%	14,741,476	322,066,616	100%
2013	317,138,129	318,754,040	303,370,705	96%	14,307,726	317,678,431	100%
2014	322,052,626	323,134,607	309,803,612	96%	13,998,834	323,802,446	100%
2015	329,262,203	331,910,156	315,733,576	96%	13,878,153	329,611,729	99%
2016	338,408,560	340,880,764	323,578,869	96%	-	323,578,869	95%

¹ Includes tax collections recorded by Chesapeake Mosquito Control Commission, a component unit, and the Tax Increment Financing Funds.

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

³ Adjusted Levy reflects residual amount after exonerations and reassessments.

Source: City of Chesapeake Commissioner of the Revenue



CITY OF CHESAPEAKE, VIRGINIA

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

	Governmental Activities			
	2007	2008	2009	2010
General Obligation Bonds ⁵	\$ 386,364,926	365,942,083	392,746,796	374,866,922
School Literary Loans	4,627,862	4,078,369	3,528,876	2,979,383
Installment Purchase Agreement	1,342,284	1,342,284	1,342,284	1,342,284
Section 108 Loans	1,715,000	1,415,000	1,095,000	755,000
Edinburgh Loan Payable	-	-	-	-
Supplemental Payments Agreement	23,160,000	22,065,000	20,925,000	19,735,000
Capital Leases to Component Unit	28,915,000	25,960,000	22,875,000	19,650,000
Capital Leases	12,590,549	8,903,865	5,173,336	7,065,815
Total Governmental Activities¹	\$ 458,715,621	429,706,601	447,686,292	426,394,404

	Business-Type Activities			
	2007	2008	2009	2010
General Obligation Bonds ^{2,5}	\$ 127,952,342	123,202,703	118,352,808	113,726,503
Utility Notes Payable	345,000	230,000	115,000	-
Revenue Bonds ⁵	21,399,431	21,024,910	20,625,391	56,704,446
Due to the Commonwealth of Virginia	68,520,358	68,163,966	67,321,762	65,828,257
Total Business-Type Activities	218,217,131	212,621,579	206,414,961	236,259,206
Total Primary Government	\$ 676,932,752	642,328,180	654,101,253	662,653,610

Percent of Personal Income ³ 8.35% 7.29% 7.36% 7.28%

All Debt Per Capita ^{3,4} 3,059 2,871 2,904 2,919

¹ Represents net direct debt.

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

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

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

⁵ General obligation bonds and revenue bonds for governmental and business-type activities are reported net of premiums, discounts and refunding costs.

⁶ GASB 65 was implemented in fiscal year 2013 which requires unamortized deferred gains/losses on refunding (previously referred to as "refunding gains/costs") to be reflected as deferred inflows/outflows of resources on the financial statements and are no longer to be included in the outstanding debt amount.

n/a = not yet available.

Table 10

2011	2012	2013 ⁶	2014 ⁶	2015 ⁶	2016 ⁶
393,645,104	379,311,630	374,250,425	330,377,432	289,178,539	274,392,374
2,429,890	1,920,312	1,596,819	1,272,785	997,681	798,144
1,342,284	1,342,284	1,342,284	1,342,284	1,342,284	1,342,284
390,000	-	-	-	-	-
-	3,566,037	3,372,767	2,918,727	2,546,285	1,946,273
18,495,000	17,190,000	15,825,000	14,390,000	12,885,000	10,100,000
16,245,000	3,905,000	1,740,000	-	-	-
4,572,549	2,713,052	1,717,634	756,950	-	-
437,119,827	409,948,315	399,844,929	351,058,178	306,949,790	288,579,075

2011	2012	2013 ⁶	2014 ⁶	2015 ⁶	2016 ⁶
109,491,935	104,530,235	102,400,760	96,811,378	90,125,836	83,545,253
-	-	-	-	-	-
56,228,710	54,994,987	193,293,117	205,804,863	249,214,950	300,932,845
66,265,372	63,210,753	63,483,912	64,252,400	65,044,115	65,859,760
231,986,017	222,735,975	359,177,789	366,868,641	404,384,900	450,337,858
669,105,844	632,684,290	759,022,719	717,926,819	711,334,690	738,916,933

6.99%	6.20%	7.39%	6.74%	n/a	n/a
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2,992	2,765	3,322	3,101	3,041	3,124
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Ratios of Outstanding General Bonded Debt
Last Ten Fiscal Years - Unaudited

General Bonded Debt Outstanding								
Fiscal Year	Governmental Activities General Obligation Bonds ¹	Business-Type Activities General Obligation Bonds ^{1,4}	Total General Obligation Bonds	School Literary Loans	Installment Purchase Agreement	Total	% of Actual Taxable Value of Property ²	Per Capita ³
2007	\$ 386,364,926	127,952,342	514,317,268	4,627,862	1,342,284	520,287,414	2.19%	\$ 2,351
2008	365,942,083	123,202,703	489,144,786	4,078,369	1,342,284	494,565,439	1.86%	2,210
2009	392,746,796	118,352,808	511,099,604	3,528,876	1,342,284	515,970,764	1.89%	2,291
2010	374,866,922	113,726,503	488,593,425	2,979,383	1,342,284	492,915,092	1.81%	2,171
2011	393,645,104	109,491,935	503,137,039	2,429,890	1,342,284	506,909,213	1.94%	2,267
2012	379,311,630	104,530,235	483,841,865	1,920,312	1,342,284	487,104,461	1.90%	2,129
2013	374,250,425	102,400,760	476,651,185	1,596,819	1,342,284	479,590,288	1.91%	2,099
2014	330,337,432	96,811,377	427,188,809	1,272,785	1,342,284	429,803,878	1.69%	1,856
2015	289,178,539	90,125,836	379,304,375	997,681	1,342,284	381,644,340	1.47%	1,632
2016	274,392,374	83,545,253	357,937,627	798,144	1,342,284	360,078,055	1.36%	1,522

¹ General Obligation Bonds and Revenue Bonds for Governmental and Business-Type Activities are reported net of premiums and discounts.

² Refer to Table 5 Assessed and Estimated Actual Value of Taxable Property for assessed value data.

³ Refer to Table 18 Demographic and Economic Statistics for population information.

⁴ 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.

Debt Affordability Indicators
Last Ten Fiscal Years - Unaudited

The City's overall net debt to assessed value of taxable real property will not exceed 3.5% nor will the City's overall net debt per capita exceed \$3,000 . The City's tax-supported debt service shall be limited to 10% of budgeted general governmental revenues.¹

Fiscal Year	Overall Net Debt ²	Assessed Value of Taxable Real Property ³	Overall Net Debt to Assessed Value of Taxable Real Property	Population ⁴	Overall Net Debt Per Capita	Budgeted General Governmental Revenues ⁵	Overall Net Debt Service	Overall Net Debt Service to Budgeted General Governmental Revenues
2007	\$ 452,938,366	22,067,528,772	2.05%	221,282	2,047	\$ -	-	-
2008	423,681,113	24,740,116,412	1.71%	223,743	1,894	-	-	-
2009	438,998,980	25,573,792,526	1.72%	225,255	1,949	-	-	-
2010	417,183,606	25,479,133,480	1.64%	226,995	1,838	-	-	-
2011	427,773,273	24,341,395,672	1.76%	223,647	1,913	-	-	-
2012	400,308,060	23,821,885,769	1.68%	228,835	1,749	513,630,194	61,313,863	11.94%
2013	382,862,836	23,197,467,449	1.65%	228,513	1,675	513,377,029	60,627,222	11.81%
2014	337,333,541	23,391,965,862	1.44%	231,542	1,457	533,122,006	60,853,346	11.41%
2015	295,259,842	23,905,386,600	1.24%	233,908	1,262	542,235,502	56,086,868	10.34%
2016	276,830,385	24,370,701,634	1.14%	236,538	1,170	552,192,580	42,008,224	7.61%

¹ Policy adopted by resolution on February 27, 2007 and amended on May 12, 2015 to include overall net debt service to budgeted general governmental revenues.

² Overall net debt excluding premiums and discounts.

³ Source: Table 5

⁴ Population figures acquired from City of Chesapeake Planning Department estimates.

⁵ General Governmental revenues include General Fund, Conference Center, E-911 Operations, Greenbrier TIF, South Norfolk TIF, Conference Center, E-911 Operations Fund, Parks and Recreation, and Mosquito Control.

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

Fiscal Year	Total General Governmental Expenditures¹	Bonded Debt Expenditures²	Ratio of Bonded Debt Expenditures to General Governmental Expenditures
2007	\$ 759,523,545	\$ 47,464,752	6.25%
2008	810,133,787	49,092,355	6.06%
2009	813,688,744	51,587,721	6.34%
2010	788,313,157	51,373,945	6.52%
2011	786,367,294	53,671,048	6.83%
2012	804,601,179	54,520,530	6.78%
2013	790,069,938	54,617,831	6.91%
2014	823,228,739	68,534,817 ³	8.33%
2015	827,830,607	52,540,073	6.35%
2016	815,582,062	39,459,982	4.84%

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.

³ Includes \$13.5 million of bonded expenditure for the redemption of bonds that were refunded in April 2014.

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
2007	\$ 518,706,472	\$ 60,616,238	11.69%
2008	545,720,961	62,041,525	11.37%
2009	539,694,349	64,080,911	11.87%
2010	530,717,664	63,449,882	11.96%
2011	548,808,465	67,150,204	12.24%
2012	549,969,765	68,582,088	12.47%
2013	542,272,274 ⁴	66,406,955	12.25%
2014	560,717,795	79,181,410 ³	14.12%
2015	588,067,951	65,684,722	11.17%
2016	604,791,609	49,316,405	8.15%

¹ Includes local revenues of the following funds: General, Special Revenue, Permanent, Debt Service, Chesapeake Public Schools - component unit, Chesapeake Mosquito Control Commission - component unit, Public Utilities Fund, Chesapeake Transportation System and Stormwater Fund. Excluded are Capital Projects - Primary Government, Chesapeake Public Schools Capital Projects - component unit, and transfers/expenditures/revenues between the City, Chesapeake Public Schools, and Elizabeth River Properties of Chesapeake.

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

³ Includes \$13.5 million in bonded debt expenditure for the redemption of bonds that were refunded in April 2014.

⁴ Amount restated.

CITY OF CHESAPEAKE, VIRGINIA

Table 15

Direct and Overlapping Governmental Activities Debt
June 30, 2016 - Unaudited

Jurisdiction	Debt Outstanding	¹	Percentage Applicable To Government	Amount Applicable To Government
Direct:				
City of Chesapeake	\$ 288,579,075		100.0%	\$ 288,579,075
Overlapping:				
None	-		0.0%	-
TOTAL	\$ 288,579,075		100.0%	\$ 288,579,075

¹ General Obligation Bonds are reported net of premiums and discounts.

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

Table 16

Fiscal Year	Debt Limit ¹	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2007	\$ 2,206,752,877	\$ 416,954,338	\$ 1,789,798,539	18.9%
2008	2,474,011,641	392,971,429	2,081,040,212	15.9%
2009	2,557,379,253	412,976,462	2,144,402,791	16.1%
2010	2,547,913,348	389,179,252	2,158,734,096	15.3%
2011	2,434,139,567	402,817,256	2,031,322,311	16.5%
2012	2,382,188,577	386,127,534	1,996,061,043	16.2%
2013	2,319,746,745	375,857,548	1,943,889,197	16.2%
2014	2,339,196,586	336,424,470	2,002,772,116	14.4%
2015	2,390,538,660	299,396,296	2,091,142,364	12.5%
2016	2,437,070,163	286,138,466	2,150,931,697	11.7%

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

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

Water and Sewer Systems							
Fiscal Year	Revenues ¹	Operating Expenses ²	Net Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS ³			Coverage ⁴
				Principal	Interest	Total	
2007	\$ 45,444,218	29,780,532	15,663,686	-	-	-	n/a
2008	50,215,171	32,922,887	17,292,284	-	-	-	n/a
2009	54,522,614	35,730,415	18,792,199	-	-	-	n/a
2010	56,638,587	37,271,969	19,366,618	-	381,528	381,528	50.76
2011	62,490,959 ⁵	36,607,270	25,883,689	735,000	1,962,143	2,697,143	9.60
2012	61,960,470 ⁵	38,720,225	23,240,245	750,000	1,947,443	2,697,443	8.62
2013	60,824,884 ⁵	38,852,321	21,972,563	770,000	1,930,568	2,700,568	8.14
2014	67,418,806 ⁵	41,653,842	25,764,964	790,000	1,911,318	2,701,318	9.54
2015	70,193,594 ⁵	40,046,910	30,146,684	815,000	1,887,618	2,702,618	11.15
2016	72,939,176 ⁵	40,362,445	32,576,731	835,000	1,865,206	2,700,206	12.06

Chesapeake Expressway/Chesapeake Transportation System⁶							
Fiscal Year	Toll Revenues	Operating Expenses ²	Net Toll Revenue Available for Debt Service	SENIOR BONDS DEBT SERVICE REQUIREMENTS ⁷			Coverage ⁸
				Principal	Interest	Total	
2007	\$ 7,323,423	2,520,958	4,802,465	-	1,216,688	1,216,688	3.95
2008	7,189,355	2,607,820	4,581,535	385,000	1,205,859	1,590,859	2.88
2009	6,890,532	2,965,959	3,924,573	410,000	1,183,500	1,593,500	2.46
2010	7,086,364	2,803,534	4,282,830	430,000	1,159,875	1,589,875	2.69
2011	8,119,694	2,880,655	5,239,039	455,000	1,134,984	1,589,984	3.30
2012	10,393,888	2,760,383	7,633,505	480,000	1,108,688	1,588,688	4.80
2013	10,275,031	2,817,156	7,457,875	-	466,388	466,388	15.99
2014	10,450,019	2,683,507	7,766,512	-	707,318	707,318	10.98
2015	11,024,004	3,165,665	7,858,338	-	724,250	724,250	10.85
2016	11,835,168	3,452,690	8,382,478	-	724,250	724,250	11.57

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

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

³ As of June 30, 2005, all revenue bonds for the Water Sewer System had been refunded as general obligation bonds, and in addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of water and sewer system revenues. Revenue bonds were issued in April 2010 under a new Indenture of Trust.

⁴ As of fiscal year 2010, net revenues shall be sufficient in each fiscal year to equal 120% (or 1.2) of annual debt service for senior debt.

⁵ The transfers to the Rate Stabilization Fund for the fiscal years 2011 and 2012 were \$5.2 million and \$3.0 million, respectively. There were no transfers in fiscal years 2013, 2014 and 2015.

⁶ Beginning with fiscal year 2014, the financial information is presented to be consistent with the applicable Indenture of Trust. In fiscal year 2013, a new Indenture of Trust was created for the Chesapeake Transportation System and all outstanding Chesapeake Expressway bonds were refunded.

⁷ Beginning with fiscal year 2013, debt payments made July 15 are treated as due the previous fiscal year. Additionally, debt service shall not include the principal and interest on outstanding bonds to the extent that they are paid from bond proceeds or investment earnings on such proceeds.

⁸ From 2007 to 2012, net toll revenues shall be sufficient in each fiscal year to equal 125% (or 1.25 times) annual debt service. Beginning in fiscal year 2013, net toll revenues shall be sufficient in each fiscal year to equal 130% (or 1.3 times) annual debt service.

Demographic and Economic Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Personal Income ² (in thousands)	Per Capita Income ²	School Enrollment ³	Chesapeake Unemployment Rate ⁴	Virginia Unemployment Rate ⁴
2007	221,282	\$ 8,102,202	\$ 37,025	39,465	3.1%	2.9%
2008	223,743	8,810,046	39,988	39,026	3.3%	3.3%
2009	225,255	8,890,725	39,966	38,868	5.3%	5.6%
2010	226,995	9,103,000	40,812	38,864	6.8%	7.0%
2011	223,647	9,565,620	42,504	38,668	6.6%	6.5%
2012	228,835	10,205,818	44,681	38,421	6.3%	6.0%
2013	228,513	10,274,744	44,562	38,591	5.8%	5.6%
2014	231,542	10,645,488	45,616	38,685	5.3%	5.3%
2015	233,908	n/a	n/a	38,678	5.0%	4.9%
2016	236,538	n/a	n/a	38,935	4.3%	4.1%

n/a - Information not yet available

Sources:

- ¹ Bureau of Economic Analysis an agency of the U.S. Department of Commerce (2007 as of April 2010) and City of Chesapeake Planning Department Estimates (2008 - 2016). For fiscal year 2011 the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts are the basis for future population estimates generated by the Planning Department during this decade.
- ² Bureau of Economic Analysis an agency of the U.S. Department of Commerce (restated as of November 2012)
- ³ Chesapeake Public Schools
- ⁴ U. S. Department of Labor Bureau of Labor Statistics (average for fiscal year, not seasonally adjusted - restated through December 2014)

CITY OF CHESAPEAKE, VIRGINIA

Table 19

Principal Employers
Current Year and Nine Years Ago - unaudited

Principal Employers	Type of Business	Fiscal Year 2016		Fiscal Year 2007	
		Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
City of Chesapeake Public Schools ¹	Government	5,666	5.07%	5,719	4.55%
City of Chesapeake ³	Government	3,680	3.29%	3,277	2.61%
Walmart	Discount department retailer	1,991	1.78%	-	0.00%
Chesapeake Regional Medical Center	Hospital and healthcare services	1,940	1.74%	2,400	1.91%
Sentara Health	Home care nursing	1,236	1.11%	620	0.49%
Tidewater Staffing	Professional services	1,133	1.01%	-	0.00%
Cox Communications	Hampton Roads headquarters/customer care center	1,118	1.00%	800	0.64%
Capital One	Credit intermediation and related activities	1,064	0.95%	-	0.00%
QVC Chesapeake Inc	Phone center/order processing facility	779	0.70%	1,276	1.01%
YMCA of South Hampton Roads	Youth and community development	730	0.65%	-	0.00%
Canon Information Technology Service Inc	Technical and consumer support	533	0.48%	-	0.00%
Oceaneering International	Transportation equipment manufacturing	428	0.38%	-	0.00%
Tecnico Corporation	Support activities for water transportation	428	0.38%	-	0.00%
First Data Resources Inc	Card processing center	341	0.31%	-	0.00%
Serco Inc	Facilities support management services	339	0.30%	-	0.00%
Xerox (formerly Hewlett-Packard)	Administration service center	242	0.22%	-	0.00%
Flowsolve US Inc	Industrial materials manufacturing	231	0.21%	-	0.00%
LifeTouch National School	School photography processing plant	230	0.21%	665	0.53%
Tidewater Fibre Corp	Scrap and waste materials	226	0.20%	-	0.00%
HSBC - Household International	Regional processing center for financial services	-	0.00%	1,200	0.95%
LTD Management Co LLC Marketing	Hotel development and management	-	0.00%	1,000	0.80%
LTD Management LLC	Hotel development and management	-	0.00%	810	0.64%
EDS	National employee benefits administration service center	-	0.00%	800	0.64%
Reliance Staffing Services	Employment supply service	-	0.00%	700	0.56%
Dollar Tree Stores	Corporate head quarters/distribution facility	-	0.00%	660	0.52%
Maersk Distribution Services, Inc	Gateway commerce	-	0.00%	637	0.51%
United States Coast Guard Finance Center	Financial service and data warehousing	-	0.00%	522	0.42%
		22,335	20.00%	21,086	16.76%
Total Employment ²		111,685		125,774	

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

¹ Source is Chesapeake Public Schools Comprehensive Annual Financial Reports

² Source is Bureau of Economic Analysis, an agency of the U.S. Department of Commerce

³ Source is Budget Department

Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of the actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2007 through 2013 to tie to the approved Operating Budget documents.

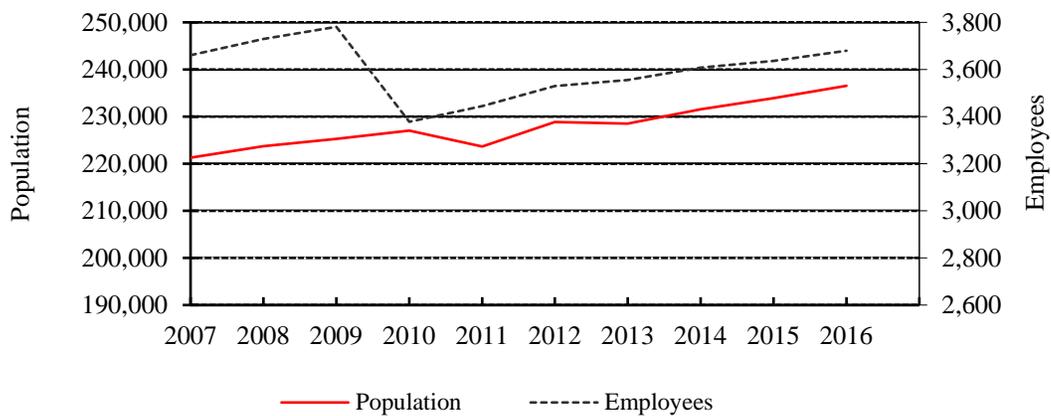
Municipal Employment Statistics
Last Ten Fiscal Years - Unaudited

Fiscal Year	Population ¹	Total Employees ²	Employees Per 1,000 Population
2007	221,282	3,661	16.5
2008	223,743	3,730	16.7
2009	225,255	3,781	16.8
2010	226,995	3,378	14.9
2011	223,647	3,444	15.4
2012	228,835	3,530	15.4
2013	228,513	3,555	15.6
2014	231,542	3,608	15.6
2015	233,908	3,636	15.5
2016	236,538	3,680	15.6

Sources: ¹ City of Chesapeake Planning Department Estimates (2007 - 2016)

² Authorized full-time equivalent positions per approved fiscal year Operating Budget for the year indicated

Population and Employee Figures



Note: With the implementation of the City's payroll system during fiscal year 2011, the data provided is the budgeted full-time equivalents instead of actually filled positions. Also, data is now available to convert part-time employees to full-time equivalent employees and is included in fiscal year 2011 and subsequent years. Total employees has been represented for fiscal years 2007 through 2016 to tie to the approved Operating Budget documents.

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Chesapeake
VIRGINIA

Authorized Full-Time Equivalent City Government Employee Positions by Department
Last Ten Fiscal Years - Unaudited

Department	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Management Services	46	46	45	43	42	42	42	41	43	45
Economic Development ^{4,6}	93	95	95	58	69	76	80	44	34	34
Finance	28	27	27	25	24	25	24	27	28	28
Information Technology	60	61	61	58	59	61	58	56	57	57
Human Resources	23	23	21	18	20	21	20	21	23	24
Budget	7	7	7	6	7	7	6	6	6	6
Agriculture	9	8	8	8	7	7	6	6	6	6
Development & Permits ⁴	-	-	-	82	73	77	75	73	80	80
Other	153	157	157	151	149	236	240	252	247	246
Police	555	563	565	542	543	552	548	549	552	552
Sheriff ²	388	400	413	405	407	406	398	400	400	404
Fire	435	445	445	439	428	438	443	443	446	446
Integrated Behavioral Health ¹	196	200	217	192	207	210	248	245	245	246
Community Programs ^{4,8}	60	66	69	19	24	24	23	10	11	11
Public Works ^{3,4,5,9}	514	524	505	420	420	446	451	451	463	468
Parks, Recreation & Tourism ^{5,6,7}	135	143	155	93	110	177	172	246	230	236
Library	136	133	138	84	119	122	123	123	125	125
Public Utilities	211	211	215	207	208	208	208	209	212	222
General Services ⁵	165	168	169	113	134	-	-	-	-	-
Justice	73	82	88	82	84	84	84	84	84	83
Health & Human Services ^{8,10}	376	372	382	333	311	312	306	323	345	362
Total	3,661	3,730	3,781	3,378	3,444	3,530	3,555	3,608	3,636	3,680

Source: Authorized full time equivalent positions per approved fiscal year Operating Budgets for the year indicated

¹ New positions were added to the Mental Health division of Integrated Behavioral Health (formerly Community Services) during fiscal year 2008

² Added twenty FTE positions to the Sheriff department in fiscal year 2009

³ Eliminated twenty-two FTE positions from Public Works in fiscal year 2009

⁴ The Development and Permits section of Public Works Engineering was merged with the Neighborhood Services division of Community Programs to form the new Department of Development and Permits in fiscal Year 2010

⁵ The Department of General Services was absorbed into Parks and Recreation, Economic Development and Public Works in fiscal year 2012

⁶ Conference Center and Conventions & Tourism was moved from Economic Development to form the Department of Parks, Recreation and Tourism during fiscal year 2014

⁷ A contractor was hired by the City to manage the Conference Center in April 2014

⁸ Community Programs became a division of the Human Services Department in fiscal year 2014

⁹ Public Works added seven FTE positions within the Stormwater division in fiscal year 2015

¹⁰ Seasonal positions were added in fiscal year 2015 in Human Services to replace temporary workers in order to comply with State requirements that only City employees may access their systems

Note: Fiscal year 2010 does not include data for part-time employees.

CITY OF CHESAPEAKE, VIRGINIA

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

Function/Program	Fiscal Year				
	2007	2008	2009	2010	2011
General Government					
Building Permits Issued	5,547	4,843	3,947	3,481	3,973
Building Inspections Conducted	11,022	9,452	7,251	7,417	8,085
Electrical Permits Issued	4,156	3,578	3,028	4,926	3,194
Electrical Inspections Performed	12,636	11,339	8,411	7,857	8,842
Plumbing Permits Issued	1,898	1,738	1,418	1,490	1,530
Plumbing Inspections Performed	8,788	7,441	4,569	5,849	5,639
Mechanical/Gas Permits Issued	5,147	4,655	4,021	4,688	4,390
Mechanical/Gas Inspections Performed	12,769	10,241	7,028	8,339	8,039
Code Compliance Inspections	20,570	25,568	19,899	21,580	17,183
Police					
Calls for Police Service	126,458	159,180	156,618	136,811	120,216
Part I Law Violations	8,005	8,270	8,640	9,338	8,534
Total Criminal Charges (primary and secondary)	n/a	16,083	18,190	17,685	16,148
Total Traffic Charges (moving/ non-moving/excludes DUI)	55,715	31,547	34,841	38,555	38,810
DUI Arrests	925	721	830	735	951
Fire					
Calls answered for Fire Protection Services	24,504	25,152	24,839	25,051	24,916
Public Works					
Refuse Collected (tons per year)	116,794	114,145	110,931	111,348	93,171
Street Resurfacing (miles)	54.58	35.56	36.87	41.99	32.76
Potholes Repaired	3,376	3,047	4,717	7,249	9,980
Water					
Active Service Accounts	60,390	60,923	61,243	61,713	62,029
Daily Average Consumption in Gallons (in mgd) ¹	16.20	16.19	16.96	16.88	17.20
Daily Average Water Provided by Chesapeake (in mgd)	10.67	10.69	11.14	10.66	11.10
Daily Average Water Purchased from other localities (in mgd)	5.46	5.50	5.82	6.22	6.10
Wastewater					
Active Service Accounts	58,579	59,126	59,437	59,909	60,154
Parks and Recreation					
Youth Athletics - Participants	7,793	7,002	6,261	5,819	5,140
Youth Athletics - Teams	601	537	506	481	433
Youth Athletics - Coaches	1,200	1,062	915	834	727
Adult Athletics - Participants	4,064	3,924	4,095	3,999	3,639
Adult Athletics - Teams	228	227	237	228	218
Special Programs Athletics - Programs	10	7	6	3	1
Leisure Classes - Youth Participants	1,908	1,580	2,372	1,901	1,249
Leisure Classes - Adult Participants	769	614	1,301	855	703
Leisure Classes - Community Program Participants ²	45,247	63,892	3,346	3,386	3,277
Special Events - PR&T Sponsored Attendance	31,750	26,915	27,775	28,095	34,328
Community Center Attendance ³	172,544	188,276	189,700	202,884	361,059
Community Center ID Sales	9,528	7,604	8,314	8,086	9,518
Community Center Rentals	1,392	1,157	1,328	1,340	1,637
Senior Program Participants	12,732	15,982	21,742	23,478	18,337
Therapeutic Program Participants	2,044	2,760	2,014	2,113	2,563
Library					
Items Checked Out	1,912,077	2,010,415	2,365,984	2,526,633	2,600,964
Interlibrary Loans - Borrowed	974	1,269	1,189	1,151	605
Interlibrary Loans - Loans	2,146	2,467	2,841	2,298	1,350
Library Collection	691,482	699,943	598,224	566,744	575,462
Patron Visits	1,622,831	1,491,973	1,623,514	1,520,528	1,392,890
Website Visits	654,106	779,001	394,623	433,480	433,889
Registered Patrons	207,190	227,348	161,373	139,821	130,989
Total Programming	2,541	2,987	3,205	3,237	3,138
Total Programming - Participants	96,476	78,256	66,313	71,425	64,416
Typewriter Use	471	540	409	641	681
Public Computer Use	600,024	596,540	651,984	682,863	636,072
Bookmobile - Patrons ⁴	15,516	16,219	15,348	14,390	6,176
Bookmobile - Number of Stops ⁴	1,307	1,331	1,291	1,324	448
Bookmobile - Miles Driven ⁴	7,811	8,240	7,415	7,510	2,186
Schools					
Student Enrollment	39,465	39,026	38,868	38,864	38,668

Source: Various City Departments

n/a - Information not available

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

² Summer Food Service Program was transferred to Schools in FY09.

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

⁴ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need.

⁵ Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)

⁶ Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.

⁷ Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events.

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

Function/Program	Fiscal Year				
	2012	2013	2014	2015	2016
General Government					
Building Permits Issued	4,199	3,940	3,602	3,900	4,758
Building Inspections Conducted	8,744	9,933	10,301	9,414	8,780
Electrical Permits Issued	2,911	2,994	3,000	2,846	3,181
Electrical Inspections Performed	7,968	9,151	7,810	8,586	9,283
Plumbing Permits Issued	1,402	1,260	1,389	1,722	2,312
Plumbing Inspections Performed	5,261	5,724	5,743	6,298	9,275
Mechanical/Gas Permits Issued	4,268	5,016	5,339	5,279	6,945
Mechanical/Gas Inspections Performed	7,821	8,678	10,040	9,767	11,145
Code Compliance Inspections	16,612	14,397	13,775	16,500	12,875
Police					
Calls for Police Service	126,508	124,261	128,733	130,371	129,340
Part I Law Violations	7,914	7,122	7,431	7,375	6,203
Total Criminal Charges (primary and secondary)	16,773	17,078	15,681	14,358	n/a
Total Traffic Charges (moving/ non-moving/excludes DUI)	35,666	35,976	35,011	35,310	33,201
DUI Arrests ⁵	1,216	1,187	1,004	622	638
Fire					
Calls answered for Fire Protection Services	25,268	26,508	26,784	27,838	30,072
Public Works					
Refuse Collected (tons per year)	94,184	91,908	91,313	95,950	95,309
Street Resurfacing (miles)	44.33	50.00	29.21	38.10	67.00
Potholes Repaired	8,367	11,110	10,777	13,463	11,765
Water					
Active Service Accounts	62,333	62,504	63,090	63,491	64,171
Daily Average Consumption in Gallons (in mgd) ¹	16.30	15.57	16.44	15.27	14.64
Daily Average Water Provided by Chesapeake (in mgd)	10.10	11.27	11.42	9.06	8.66
Daily Average Water Purchased from other localities (in mgd)	6.19	5.81	6.43	6.21	5.98
Wastewater					
Active Service Accounts	60,449	60,831	61,426	61,822	62,514
Parks and Recreation					
Youth Athletics - Participants	4,884	4,279	4,401	4,314	4,780
Youth Athletics - Teams	413	370	406	379	433
Youth Athletics - Coaches	664	612	487	674	708
Adult Athletics - Participants	3,070	2,560	2,256	2,363	2,947
Adult Athletics - Teams	189	172	151	162	164
Special Programs Athletics - Programs	2	3	6	4	5
Leisure Classes - Youth Participants	1,159	1,196	1,371	1,025	1,272
Leisure Classes - Adult Participants	787	712	718	619	609
Leisure Classes - Community Program Participants ²	3,644	3,773	4,434	1,955	1,794
Special Events - PR&T Sponsored Attendance	20,525	29,375	31,025	44,525	83,141
Community Center Attendance ³	425,108	407,456	409,178	410,657	408,274
Community Center ID Sales	7,060	6,474	6,561	6,499	6,927
Community Center Rentals	2,092	2,054	1,929	1,590	1,546
Senior Program Participants	21,664	19,855	16,475	15,030	13,686
Therapeutic Program Participants	1,094	1,707	2,968	3,493	3,716
Library					
Items Checked Out	2,561,515	2,352,046	2,208,274	2,021,708	1,954,756
Interlibrary Loans - Borrowed	311	216	259	252	226
Interlibrary Loans - Loans	878	246	293	145	101
Library Collection	580,046	534,037	493,340	471,183	451,422
Patron Visits	1,410,177	1,287,912	1,255,427	1,176,510	1,124,284
Website Visits	472,836	453,106	406,741	408,087	603,517
Registered Patrons	154,252	162,903	158,952	163,502	186,336
Total Programming	3,054	3,928	4,332	4,220	3,810
Total Programming - Participants	58,945	78,575	100,217	133,221	64,031
Typewriter Use	660	880	371	144	82
Public Computer Use	565,386	541,384	437,362	462,942	374,827
Bookmobile - Patrons ⁴	9,645	10,232	11,605	6,718	6,649
Bookmobile - Number of Stops ⁴	492	515	576	862	323
Bookmobile - Miles Driven ⁴	2,339	1,982	1,444	1,478	1,487
Schools					
Student Enrollment	38,421	38,591	38,685	38,678	38,935

Source: Various City Departments

n/a - Information not available

¹ Millions of gallons per day - Public Utilities Production Report (restated as of June 30, 2007)² Summer Food Service Program was transferred to Schools in FY09.³ Beginning in FY11, this number includes all activities taking place in the Community Center; prior years exclude athletic programs.⁴ Beginning in FY11, Bookmobile services were provided on a more limited basis, primarily to those in need.⁵ Beginning in FY14, this number includes all events instead of just tournaments (restated FY10 through FY13)⁶ Beginning in FY11, this number is calculated based on reports from the RMS system; prior years were hand counted by personnel.⁷ Beginning in FY16, the Parks, Recreation and Tourism greatly increased their involvement in City Special Events.

CITY OF CHESAPEAKE, VIRGINIA

Table 23

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Police										
Precincts	5	5	5	5	5	5	5	5	5	5
Marked Patrol Units	214	193	194	235	203	198	222	206	213	206
Fire Stations	15	15	15	15	15	15	15	15	15	15
Public Works										
Refuse Collection										
Collection Trucks	60	61	60	60	52	52	61	57	60	57
Other Public Works										
Storm Sewers (miles)	1,100	1,100	1,100	1,100	1,100	1,100	1,150	1,200	1,650	1,684
Streets (miles)	2,314	2,329	2,346	2,354	2,364	2,361	2,700	2,366	2,372	2,376
Streetlights	22,287	22,634	23,432	23,763	23,874	23,759	23,706	23,790	24,045	24,457
Water										
Water Mains (miles)	804	818	824	821	828	829	832	833	840	844
Fire Hydrants ¹	5,035	5,140	5,201	5,270	5,339	5,365	5,398	5,411	5,508	5,592
Wastewater										
Sanitary Sewers (miles)	1,034	1,048	1,053	1,053	1,057	1,060	1,062	1,065	1,072	1,083
Sewage Pumping Stations	259	262	262	263	264	262	262	269	271	271
Parks and Recreation										
Park Acreage	2,066	2,262	2,262	2,322	2,322	2,322	2,349	2,349	2,450	2,450
Parks and Play Areas	66	67	67	70	70	70	71	71	71	72
Athletic Fields/Tennis Courts	200	199	203	226	226	228	228	228	228	239
Community Centers	8	8	8	8	8	8	8	8	8	8
Specialized Centers	4	4	4	4	5	5	5	5	5	5
Schools										
Elementary Schools	28	28	28	28	28	28	28	28	28	28
Secondary Schools	16	17	17	17	17	17	17	17	17	17
Educational Centers	3	3	3	2	3	3	3	2	2	2

Source: Various City Departments

¹ Updated in FY 2016 per Public Utilities GIS system

COMPLIANCE SECTION

Chesapeake
VIRGINIA

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Chesapeake
VIRGINIA

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Schedule U-1

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Expenditures
Department of Agriculture:				
Direct payments:				
Food and Nutrition Service:				
Summer Food Service Program for Children			10.559	\$ 70,333
Pass-through payments:				
Virginia Department of Agriculture and Consumer Services:				
Food Distribution - commodities value - Schools' Food Services		N/A	10.555	900,386
Food Distribution - commodities value - Detention Home		N/A	10.555	25,371
Virginia Department of Education:				
School Breakfast Program		N/A	10.553	1,940,331
National School Lunch Program		N/A	10.555	5,884,030
Summer School Service Program For Children		N/A	10.559	200,901
Subtotal by Child Nutrition Cluster (10.553/10.555/10.559)				9,021,352
Virginia Department of Education:				
Child and Adult Care Food Programs		N/A	10.558	92,418
Virginia Department of Social Services:				
State Administrative Matching Grants for Food Stamp Program		0010115, 0010116	10.561	1,997,162
Virginia Department of Forestry:				
Department of Forestry and the US Forest Service		15UCF23	10.664	3,722
Total Department of Agriculture				11,114,654
Department of Housing and Urban Development:				
Direct payments:				
Community Development Block Grant Program:				
Program Year 2013			14.218	51,973
Program Year 2013	CHRA		14.218	9,989
Program Year 2013	Habitat for Humanity		14.218	11,097
Program Year 2013	CRHA		14.218	63,297
Program Year 2014			14.218	112,704
Program Year 2014	Children's Harbor		14.218	22,787
Program Year 2014	For Kids, Inc.		14.218	23,731
Program Year 2014	CRHA		14.218	78,824
Program Year 2014	Habitat for Humanity		14.218	148,408
Program Year 2014	CRHA		14.218	177,424
Program Year 2014			14.218	5,139
Program Year 2015			14.218	25,879
Program Year 2015	Children's Harbor		14.218	24,609
Program Year 2015	For Kids, Inc.		14.218	110,550
Program Year 2015	Tidewater Bldrs Assc		14.218	58,800
Program Year 2015			14.218	8,562
Subtotal by Community Development Block Grant Program				933,771
HOME Investment Partnerships Program:				
Program Year 2011	CRHA		14.239	11,625
Program Year 2012	CRHA		14.239	62,455
Program Year 2013	CRHA		14.239	130,957
Program Year 2014	CRHA		14.239	40,000
Program Year 2014	CRHA		14.239	381,819
Program Year 2015	CRHA		14.239	6,604
Subtotal by HOME Investment Partnerships Program				633,460
Total Department of Housing and Urban Development				1,567,231
Department of Health and Human Services:				
Pass-through payments:				
Department of Health and Human Services:				
Statewide BJA Adult Drug Court Grant		15-BJA003AD15	93.276	27,866
Virginia Hospital & Healthcare Assn/VA Hospital & Healthcare Assn.		E045	93.889	33,824
Department of Mental Health, Mental Retardation and Substance Abuse:				
Block Grants for Community Mental Health Services		N/A	93.958	222,009
Block Grants for Prevention and Treatment of Substance Abuse		N/A	93.959	715,611
Virginia Department of Social Services:				
Promoting Safe and Stable Families		0950114, 0950115	93.556	42,470
Temporary Assistance for Needy Families		0400115, 0400116	93.558	1,628,174
Refugee and Entrant Assistance - State Administered Program		0500115, 0500116	93.566	1,591
Low Income Home Energy Assistance		0600415, 0600416	93.568	164,936
Child Care & Development Fund		0760115, 0760116	93.596	215,497
Chafee Education and Training Vouchers Program (ETV)		9160114, 9160115	93.599	3,681
Child Welfare Services-State Grants		0900115, 0900116	93.645	9,696
Foster Care-Title IV-E		1100115, 1100116	93.658	1,109,092
Adoption Assistance		1120115, 1120116	93.659	738,386
Social Services Block Grant		1000115, 1000116	93.667	986,109
Independent Living		9150115, 9150116	93.674	8,741
State Children's Insurance Program		0540115, 0540116	93.767	84,031
Virginia Department of Social Services:				
Medical Assistance Program (Medicaid: Title XIX)		1200115, 1200116	93.778	2,539,157
Virginia Department of Education:				
Medical Assistance Program (Medicaid: Title XIX)		N/A	93.778	538,252
Subtotal by Medical Assistance Program				3,077,409
Total Department of Health and Human Services				9,069,122

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Expenditures
Department of Defense:				
Direct payments - Navy:				
Support for Student Achievement at Military Connected Schools/ALGEBRA			12.556	408,963
Support for Student Achievement at Military Connected Schools/SPED			12.557	60,506
Department of Defense Impact Aid			12.558	658,196
Total Department of Defense				1,127,665
Department of Justice:				
Direct payments:				
Drug Control and System Improvement:				
Asset Forfeiture Transfer - Office of Attorney General			16.578	\$ 12,770
Asset Forfeiture Transfer for Sheriff Dept- OAG			16.578	191,357
Asset Forfeiture-OAG-VA Rules Camp			16.578	3,174
Asset Forfeiture- BJA Grant			16.578	6,813
Subtotal by Federal Surplus Transfer Program				214,114
Forfeited Asset Sharing Program - Drug Enforcement			16.922	122,922
Equitable Sharing Program - Prosecutor's Office			16.922	21,765
Subtotal by Equitable Sharing Program				144,687
Office of Community Oriented Policing Services-2012 COPS Grant			16.710	181,453
Pass-through payments:				
State Criminal Alien Assistance Program (SCAAP)		2015-AP-BX-0355	16.606	15,439
Bureau of Justice Assistance - Edward Byrne Grant Program:				
Fiscal Year 2013		2013-DJ-BX-1028	16.738	5,435
Fiscal Year 2014		2015-DJ-BX-0530	16.738	44,489
Subtotal by Edward Byrne Memorial Justice Assistance Program				49,924
Total Department of Justice				605,616
Social Security Administration:				
Direct payments:				
Social Security-Work Incentives Planning and Assistance Program			96.008	4,200
Total Social Security Administration				4,200
U.S. Department of Transportation:				
Pass-through payments:				
Virginia Department of Transportation:				
Federal Highway Administration - Planning and Construction:				
Gum Road		EN99-131-128	20.205	67,844
Military Hwy S. at Baugher Ave		0013-131-S31	20.205	91,965
Military Hwy S. at State St.		0013-131-S32	20.205	194,263
Portsmouth Blvd Phase 4		0337-131-104	20.205	4,032,856
Rt. 104 Steel Bridge		6017-131-109	20.205	3,771,760
Safe Routes to School Division Coordinator		107878	20.205	82,941
Traffic Mgmt Center and System		U000-131-S52	20.205	61,259
Traffic Signal Improv. South Military Hwy.		0013-131-726	20.205	18,915
Subtotal by Highway Planning and Construction Program				8,321,803
Department of Motor Vehicles				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants:				
Fiscal year 2015 - Selective Enforcement - Alcohol		154AL-2015-55105-5844	20.607	5,327
Fiscal year 2016 - Selective Enforcement - Alcohol		154AL-2016-56215-6415	20.607	7,512
Subtotal by Alcohol Open Container Requirements Program				12,839
Fiscal year 2015 - Selective Enforcement Occupant Protection		M2HVE-2015-55173-5912	20.616	3,569
Fiscal year 2016 - Selective Enforcement Occupant Protection		OP-2016-56273-6473	20.616	9,734
Subtotal by National Priority Safety Program				13,303
Total U.S. Department of Transportation				8,347,945
Department of Homeland Security:				
Pass-through payments:				
Virginia Department of Emergency Management:				
Hazardous Mitigation - Severe Rep Loss		FMA 2013-VA-002	97.029	440,672
Flood Mitigation Assistance Grant		PJ-03-VA-2014-005	97.029	773,451
Subtotal by Flood Mitigation Assistance Program				1,214,123
Hazardous Mitigation Grant - 2014		HMGP-4024-550-016	97.039	193,092
Subtotal by Hazard Mitigation Grants				193,092
VDEM SLEMPG 2013		6722	97.042	2,595
Local Emergency Management Planning Grant - 2015		N/A	97.042	5,876
Local Emergency Management Planning Grant - 2016		N/A	97.042	70,197
Subtotal by Emergency Management Performance Grants				78,668
SHSP Citizens Corp Grant		6167	97.067	1,094
SHSP Citizen Preparedness		15VA-HSGP-0544	97.067	9,546
2014 SHSP Communication Cache		N/A	97.067	73,971
SHSP Incident Management Team		N/A	97.067	55,900
SHSP Hazardous Material Training		N/A	97.067	133,333
SHSP Hazardous Material Paramedic Training		N/A	97.067	17,500
2013 CACHE Program		N/A	97.067	58,552
2014 SHSP MOB Emergency Water Supply		N/A	97.067	92,040
2014 UASI IMT Grant		N/A	97.067	37,458
2014 SHSP Foam Team Equipment		15VA-HSGP-0322	97.067	108,986
2015 SHSP Foam Team Training		N/A	97.067	35,218
2015 SHSP Radio Cache Sustainment		15VA-HSGP-0560	97.067	117,270
Subtotal by Homeland Security Grant Program				740,868
Total Department of Homeland Security				2,226,751

(Continued)

CITY OF CHESAPEAKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Schedule U-1, Continued

Federal Granting Agency/Recipient State Agency/Grant Program	Sub-Recipient	Grant or Project Number (Indirect Grants)	CFDA Number	Expenditures
Environmental Protection Agency				
Pass-through payment:				
Virginia Department of Environmental Quality		14-05	66.466	25,000
Total Environmental Protection Agency				25,000
Department of the Interior:				
Direct payments:				
Payment in Lieu of Taxes			15.226	7,065
U.S. Fish and Wildlife Service - Department of the Interior:				
National Wildlife Refuge Sharing Fund			15.659	33,615
Total Department of the Interior				40,680
Department of Education:				
Direct payments:				
Impact Aid			84.041	\$ 3,447,472
Pass-through payments:				
Virginia Department of Education:				
Adult Education - State Grant Program		V002A150047	84.002	201,090
Title I Grants to Local Educational Agencies		S010A150046	84.010	4,915,137
Title I, Part D - Program for Neglected & Delinquent Children		S013A140046	84.013	1,255
Vocational Education - Basic Grants to States		V048A150046	84.048	472,479
Special Education - Grants to States		H027A150107	84.027	7,076,510
Special Education - Preschool Grants		H173A150112	84.173	232,614
Subtotal by Special Education Cluster (84.027/84.173)				7,309,124
Part C Funds		N/A	84.181	265,971
Advanced Placement Program		N/A	84.330	7,175
Title III, Part A - English Language Acquisition Grants		S365A150046	84.365	59,113
Title II, Part A - Improving Teacher Quality State Grants		S367A150044	84.367	1,176,254
Total Department of Education				17,855,071
Total Federal Expenditures				\$ 51,983,936

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federally assisted programs of the City's Reporting Entity as 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 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 Reporting Entity's basic financial statements as follows:

Intergovernmental revenues per the basic financial statements:

Primary Government:	
General Fund	\$ 133,929
Capital Projects Fund	4,507,661
Special Revenue Funds:	
Virginia Public Assistance Fund	9,488,179
Grants Fund	2,936,908
Community Development Fund	1,593,679
Intergrated Behavioral Healthcare Fund	1,203,591
Enterprise Funds	4,405,189
Total primary government	24,269,136
Component unit - Public Schools:	
School Operating Fund	19,337,957
School Food Services Fund	9,018,066
Total component unit - Public Schools	28,356,023
Total federal expenditures from intergovernmental revenue	52,625,159
Other reconciling items	(641,223)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 51,983,936

(4) Subrecipients

The Chesapeake Redevelopment and Housing Authority, Children's Harbor, For Kids, Habitat for Humanity and Building Trade Academy are the subrecipients for the federal awards of \$729,515 for the Community Development Block Grant Program and \$633,460 for the HOME Investment Program received from the Department of Housing and Urban Development.

(5) Indirect Cost Rate

The City did not elect to use a 10% de minimis indirect cost rate allowed under section 2 CFR 200.331(a)(4).

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2016. Our reporting includes a reference to other auditors who audited the financial statements of the Chesapeake Airport Authority and the Elizabeth River Properties of Chesapeake, Inc., 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. The financial statements of Elizabeth River Properties of Chesapeake, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 matter that are required to be reported under *Government Auditing Standards* and one instance of noncompliance or other matter that is required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

City of Chesapeake, Virginia's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 13, 2016

**Report of Independent Auditor on Compliance for Each Major
Federal Program and Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Chesapeake, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia
December 13, 2016

City of Chesapeake, Virginia
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None noted
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None noted
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
U.S Department of Transportation:	
Highway Planning and Construction Cluster	20.205-CL
U.S. Department of Health and Human Services	
Medicaid Cluster	93.778-CL
Department of Housing and Urban Development:	
Community Development Block Grants/Entitlement Grants Cluster	14.218-CL
Department of Homeland Security:	
Flood Mitigation Assistance	97.029

Dollar threshold to distinguish between Types A and B Programs:	\$1,559,518
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The City of Chesapeake was qualified as a low risk auditee?	Yes
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2) Findings - Financial Statement Audit

None

3) Findings and Questioned Costs - Major Federal Awards

None

4) Findings and Questioned Costs – State Compliance

2016-001 Social Services – Information System Security Controls

Criteria:

The Virginia Department of Social Services *Information Security Policy and Program Guide* requires that the local security officer review all employees' access annually to each application with employees' supervisors to ensure the access is properly aligned with job responsibilities.

Statement of Condition:

While performing our audit procedures to ensure compliance with Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, we noted the City Department of Human Services did not have documentation of an annual review of user access.

Cause:

Procedures were not in place to ensure employees' access was reviewed annually.

Effect or Potential Effect:

The City is potentially at risk for employees having access to systems that they do not need.

Recommendation:

We recommend the City implement a process to ensure all employees' access is reviewed on an annual basis.

Management's Response:

The City's Department of Social Services concurs that the annual security review was not completed by June 30. An Annual Security Audit Form has been developed and will be sent to each supervisor to validate whether the system accesses identified for their employee are still required. The supervisor will review each form for their respective employees and return it to the Department's Security Officer electronically. The Security Officer will track the distribution and receipt of each form by using a master employee roster to ensure each form has been returned by the deadline requested. The Security Officer will review the returned documents to identify if changes to access privileges are necessary.

5) Resolution of Prior Year's Findings

2015-001

Status: Corrected

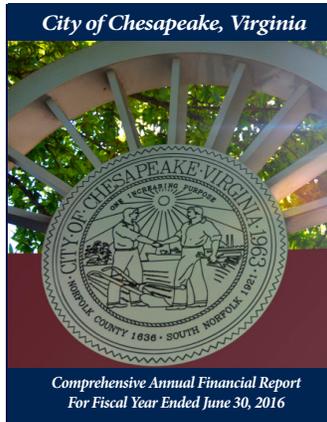
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Chesapeake
VIRGINIA

*End of Comprehensive Annual Financial Report
Of the City of Chesapeake, Virginia
For the Fiscal Year Ended
June 30, 2016*

Chesapeake
VIRGINIA

City of Chesapeake, Virginia



*Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2016*

FINANCE DEPARTMENT
CITY OF CHESAPEAKE
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